

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Waterford, Michigan</u>	County Oakland
Audit Date December 31, 2004	Opinion Date June 1, 2005	Date Accountant Report Submitted To State: June 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Charter Township of Waterford, Michigan

**Comprehensive Annual Financial Report
for the Fiscal Year Ended
December 31, 2004**

Prepared by Waterford Township staff

Charter Township of Waterford

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BOARD OF TRUSTEES

Carl W. Solden, Supervisor
Betty Fortino, Clerk
Dee A. Minton, Treasurer
Todd Fox, Trustee
David J. Maloney, Trustee
Stan Moore, Trustee
Bette O'Shea, Trustee

WATERFORD

A CHARTER TOWNSHIP

5200 Civic Center Drive
Waterford, Michigan 48329-3773
Telephone: 248-674-6266 • Fax: 248-674-5455
www.twp.waterford.mi.us

June 23, 2005

To the Board of Trustees and Citizens
Charter Township of Waterford
Oakland County, Michigan

In accordance with accounting principles generally accepted in the United States (GAAP), we are submitting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2004. This report has been prepared in conformance with the principles and standards for financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and complies with the requirements of GASB Statement Number 34. It discusses the financial results for the year, provides information on budgetary performance, and includes information on the financial condition of the Township.

This transmittal letter provides information regarding the economy and the governing structure of Waterford Township. An overview of the Township's financial activities for the fiscal year is discussed in detail in the management's discussion and analysis (MD&A) portion of the financial section of the CAFR, which should be read in conjunction with this letter.

Report Contents

This CAFR contains six sections: introductory, report and management's discussion (MD&A) and analysis, basic financial statements, required supplemental information, other supplemental information, and statistical. The introductory section includes the Township's transmittal letter, an organizational chart, list of principal Township officers, a list of the Township's labor agreements, and a fund organizational chart. The report and management's discussion and analysis section is comprised of the independent auditor's opinion and the management's discussion and analysis. The basic financial statements section is comprised of the basic, Township-wide, and fund financial statements, and informational notes. The required supplemental information section is comprised of additional information required by the Governmental Accounting Standards Board. The other supplemental information section is comprised of information to be used for additional analysis, and is not a required part of the basic financial statements. The statistical section provides unaudited financial and demographic information about the Township over the previous 10 fiscal-year period.

Government Profile

Waterford Township is organized under Act 359 of 1947 as a Charter Township. Policy-making and legislative authority are vested in the seven-member Township board, four of whom are elected at large in partisan elections as part-time legislators. The board is responsible for passing ordinances, determining policy, and adopting the budget. The executive function is distributed between the Township supervisor, clerk, and treasurer, all of whom also sit on the board.

This report covers all funds of Waterford Township. The Township provides a full range of services, including, but not limited to, police and fire protection, recreational and cultural activities, and water and sewer services.

Economic Condition and Outlook

The Charter Township of Waterford was established as a Charter Township in 1961 by a vote of the electorate. The Township is located in the center of Oakland County, immediately to the west of the City of Pontiac. The Township has an area of 35.1 square miles and is traversed from east to west by M-59 (Highland Road) and from southeast to northwest by US-24 (Dixie Highway).

Within the Township, there is a significant employment base in retail and service industries, and it is anticipated there will be moderate growth in this employment base over the next 5 to 10 years. The Township has an area-wide sewer system which is connected to the Detroit system for treatment. The municipal water system is operated throughout the Township and produces water from 15 wells.

Oakland County International Airport is located in the northwest portion of the Township. The airport serves corporate, charter, and private general aviation activity, in addition to providing U.S. customs service activity for international flights. The airport has approximately 770 based aircraft and accommodates approximately 350,000 annual departures and arrivals, ranking it the second busiest airport in Michigan and the fifth busiest general aviation airport in the United States.

Grand Trunk Railroad traverses the Township from southeast to northwest. The railroad provides shipping access to several Township businesses.

The Township is a regional center for northwest Oakland County. Several major shopping centers serve both the Township and its surrounding area. Summit Place Mall is the largest complex with 1.2 million square feet of retail space.

Several major industries are located in the Township. The largest is General Motors Parts Division, which maintains a 1,300,000 square foot warehouse and distribution center. Rite Aid drug store's regional distribution center, serving six states, operates a quarter million square foot warehouse complex. Other industries within the Township include metal fabricating, screw machine productions, and manufacturers of motor parts, electronic components, industrial computers, and precision measuring instruments. General Motors Truck and Bus, Pontiac Motors, and General Motors Buick, Oldsmobile Cadillac (BOC) assembly plants are all located within minutes of the Township.

Commercial and Residential Development

2004 was another difficult year for the Township's commercial and retail businesses. The construction of newer retail outlets in surrounding communities and the continued growth of internet commerce have weakened the vitality of regional retail areas, such as the Telegraph/Elizabeth Lake Road area, creating a surplus of retail space as businesses relocate.

The pace of residential development within the Township continued to slow in 2004. The number of new single-family housing permits issued by the Township fell to 130, the sixth straight year of decline and down from a high of 523 permits in 1998. In addition to the overall poor health of the state's economy, future development will be limited by land availability as the Township approaches build-out and the outer rim of suburban development moves to the west and north.

Building Permits

The following table demonstrates building permit activity within the Township in recent years:

Calendar Year	Single Family Homes	Condominium Units	New Commercial	Total Permits
2004	130	104	251	974
2003	131	44	191	908
2002	139	94	19	1,097
2001	154	143	13	1,230
2000	189	71	13	1,252
1999	457	52	11	1,507
1998	523	21	17	1,736
1997	443	69	30	1,928
1996	488	84	18	1,677
1995	363	36	17	1,401
1994	400	82	11	1,571
1993	313	89	19	1,359

Area Demographics

Oakland County is located in the southeast portion of Michigan's lower peninsula. The County has an area of 910 square miles, which includes 30 cities, 10 villages, and 21 townships. Within the county are five rivers, 423 inland lakes, numerous small streams, and rolling landscapes - all of which make the area attractive to homeowners and builders.

Oakland County private sector employment outperformed the nation, the state, and all major labor market areas in the state in the last decade. Job growth during the past 10 to 15 years has been twice as fast as the state and more than twice as fast as the nation.

Financial Information

Budgeting

The annual budget serves as the primary financial management instrument of the Township. It is adopted each year by the board of trustees in accordance with the State of Michigan Uniform Budgeting Act, P.A. 621 of 1978, by December 15 for the subsequent year. The Township's fiscal year is January through December. Budget preparation begins in June of each year with the Office of Fiscal and Human Resources presenting the Township supervisor with a revenue estimate for the upcoming fiscal year. Based on this estimate, the supervisor provides direction and spending targets to individual departments. The supervisor then proposes a budget for the board to debate and pass. The board adopts the budget through the passage of a budget resolution by November 1 for the subsequent year.

The board approves appropriations on the departmental basis, which becomes the legal level of control. An encumbrance system is in place to ensure that this control is not violated. All amendments to this budget must be approved by the board throughout the fiscal year. Amounts appropriated, but not spent by the end of the fiscal year must be reappropriated by the board for the subsequent fiscal year.

Cash Management

The Township's investment policy includes the legal requirements for municipalities covered under Michigan Public Act No. 20 of 1943, as amended. We maximize the use of funds and ultimately try to increase the return on our dollars while minimizing risk. Investments are placed with institution that are approved by the Township board and deemed to provide minimal risk to Township assets. Our investment portfolio currently consists of money market funds, certificates of deposit, U.S. Treasury and other obligations of the U.S., and authorized pooled funds, in compliance with the Township's investment policy and Public Act 20, as amended.

Risk Management

The Charter Township of Waterford is a member of the Michigan Municipal Risk Management Authority (MMRMA). The MMRMA is a self-insured association with a membership of approximately 365 Michigan local governmental units. It provides risk management, claims administration, legal defense, and reinsurance services for its members. As a member, Waterford Township has liability coverage of up to \$15,000,000 per occurrence. Our self-insured retention is \$75,000 per occurrence. We are actively involved in risk control through supervisory and employee training, facilities inspections, and utilization of the MMRMA Risk Control Staff.

Waterford Township is also self-insured for workers' compensation coverage. The Township has retained the service of Comprehensive Risk Services (CRS) as a third-party administrator to monitor and pay workers' compensation claims on its behalf. The Township, in cooperation with CRS, aggressively manages claims and works to reduce on-the-job injuries through safety training, inspections, and an employee safety committee.

Component Units

Included in the financial statements are three discretely presented component units: Economic Development Corporation (EDC), Waterford Youth Assistance Corporation (WYA), and Veteran's Memorial Fund (VMD). Although considered separate legal entities, they are part of the Township's operations and the Township is considered to be financially accountable for them.

Independent Audit

As required by State of Michigan law, the Charter Township of Waterford's accounts and financial statements have been independently audited by the accounting firm of Plante & Moran, PLLC. The goal of the audit is to obtain a reasonable assurance that the financial statements contained within are free of material misstatement and accurately reflect the financial position of the Township. The auditor's report is presented as the first component of the financial section of this report.

In addition, Plante & Moran, PLLC conducted the federally mandated "single audit" designed to meet the special needs of federal grantor agencies. These reports are available in the single audit section of the CAFR.

While the independent auditor has expressed an unqualified opinion of the financial statements contained in this report, management takes sole responsibility for the contents of the CAFR. To the best of its knowledge, staff believes the CAFR information is accurate in all material respects.

Acknowledgements

This CAFR reflects the work and commitment of the staff members of the clerk's office, treasurer's office, and the Office of Fiscal and Human Resources. This document could not have been accomplished without their efforts and each contributor deserves sincere appreciation. Management would also like to express its appreciation to Plante & Moran, PLLC, the Township's independent auditors, who assisted and contributed to the preparation of this Comprehensive Annual Financial Report.

Respectfully submitted,

Carl W. Solden
Township Supervisor

Betty J. Fortino
Township Clerk

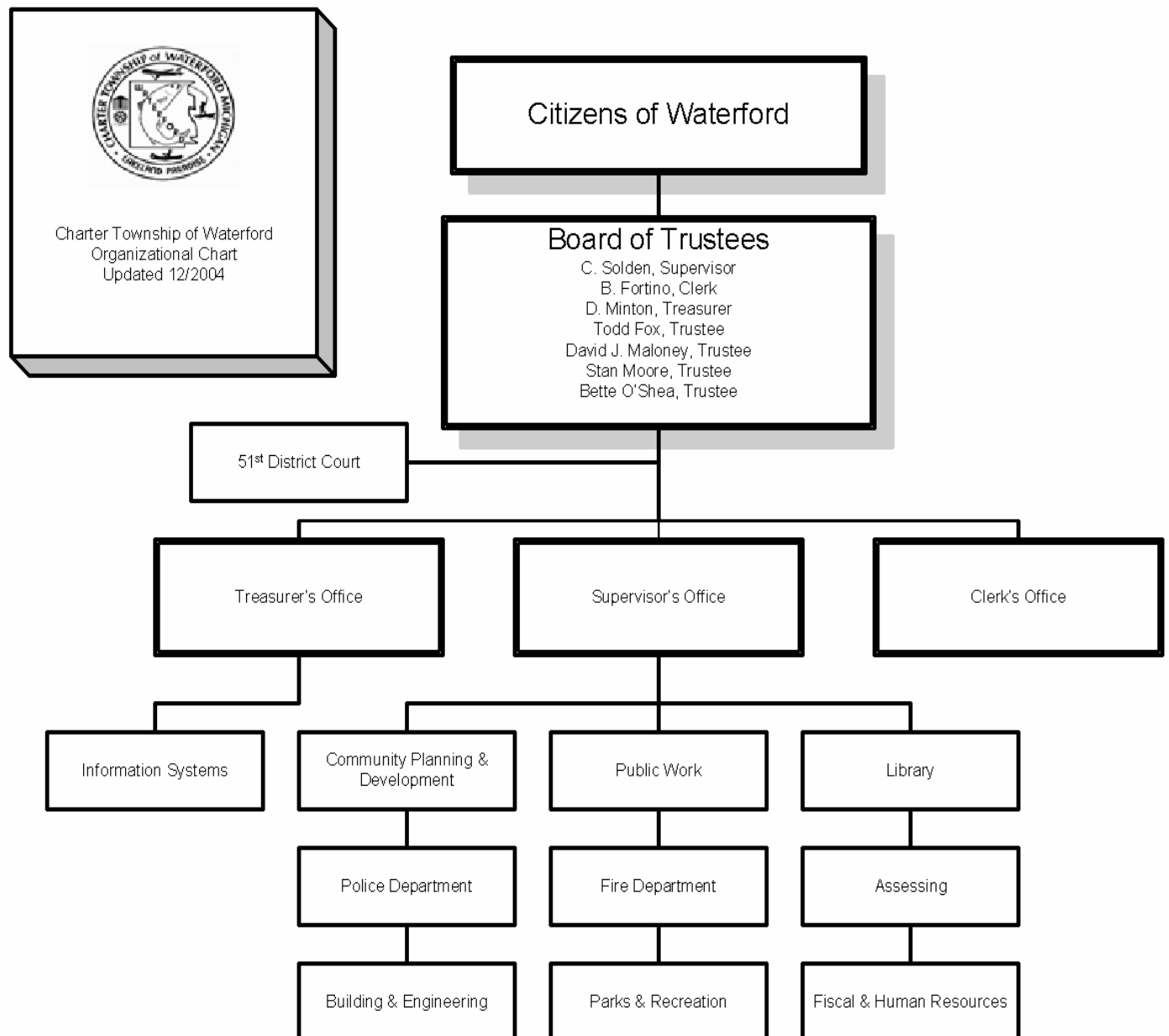
Robert L. Seeterlin
Fiscal and Human Resources Director

Doreen D. Proverbs
Accounting Manager

William S. Smith
Assistant Fiscal and Human Resources Director

Charter Township of Waterford

Organizational Chart



Charter Township of Waterford

List of Principal Officers Year Ended December 31, 2004

Supervisor's Office

Supervisor

Carl W. Solden

Clerk's Office

Clerk

Betty J. Fortino

Deputy Clerk

Karen S. Macintosh

Treasurer's Office

Treasurer

Dee A. Minton

Deputy Treasurer

Sandy J. Pulk

Assessing

Chief Assessor

Don E. Wood

Deputy Assessor

Larry J. Elliott

Building and Engineering

Director

Douglas Bradley

Assistant Director Building

Bernt A. Gibson

Assistant Director Engineering

Robert A. Merinsky

Community Planning and Development

Director

Robert W. Vallina

Planning Division Head

Larry R. Lockwood

Fire

Chief

Dennis K. Storrs

Deputy Chief

Richard M. Mielke

Fiscal and Human Resources

Director

Robert J. Seeterlin

Assistant Director

William S. Smith

Information Systems

Director

Jared W. Black

Library

Director

Joan M. Rogers

Assistant Library Director

Mary K. Rice

Parks and Recreation

Director

Thomas G. Newcombe

Police

Chief

John B. Dean

Deputy Chief

Dale D. Lacroix

Deputy Chief

Daniel T. Mccaw

Public Works

Director

Terry E. Biederman

Water & Sewer Superintendent

Jerry T. Coburn

Administrative Superintendent

Derek Diederich

Facilities and Operations Superintendent

David M. Papke

Engineering Superintendent

William A. Fritz

Charter Township of Waterford

Labor Agreements Year Ended December 31, 2004

Bargaining Unit	Expiration Date	Number of Employees
Michigan Association of Police - Represents police officers and crime scene investigators	12/31/2003	56
Command Officers Association of Michigan - Represents police sergeants and lieutenants	12/31/2003	20
International Association of Firefighters - Represents all firefighting personnel	12/31/2003	63
Michigan Association of Police - Represents dispatchers	12/31/2003	12
Teamsters State, County, and Municipal Workers - Represents clerical, public works employees, building inspectors, and ordinance officers	12/31/2003	147(1)

(1) Includes part-time employees in the library and parks and recreation.

Charter Township of Waterford

Fund Organization Chart Year Ended December 31, 2004

Fund Name	Fund Number
General Fund	101
Special Revenue Funds	
Fire	206
Police	207
Police Restricted Use	208
Cemetery Care	209
Workers' Compensation	215
Health Benefits	225
Improvement Revolving	246
Bike Path	247
Cable Commission	250
Community Development Block Grant	261-263
Library	270
Library Donations	271
Hess Hathaway Trust	716
CAI Building	717
Sick and Vacation Pay	730
Weed Control	844-883
Debt Service Funds	
Debt Service	301
Capital Projects Funds	
Police and Fire Building	406
S.A.D. Road Paving	813
Enterprise Funds	
Water and Sewer	590
Internal Service Funds	
Motor Pool	360
Trust and Agency Funds	
Tax Collection	703
Regular Employee Pension	731
Police and Fire Pension	732
Other Agency	701-752

Independent Auditor's Report

To the Board of Trustees
Charter Township of Waterford
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Waterford, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Waterford, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Waterford, Michigan as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Charter Township of Waterford
Oakland County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Waterford, Michigan's basic financial statements. The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and other supplemental information have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and pension systems schedule of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2005 on our consideration of the Charter Township of Waterford, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

June 1, 2005

Charter Township of Waterford

Management's Discussion and Analysis

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2004.

- State-shared revenue, despite further cuts, remains our second largest revenue source. During the Township's 2004 fiscal year, state-shared revenue was reduced by the State of Michigan by approximately \$502,000 from the Township's original budget projection. The State has reduced its contribution to Waterford in each of the past four fiscal years.
- The Township experienced dramatic increases in employee health costs. Total health insurance costs in 2004 amounted to approximately \$6,122,000. This is an increase of approximately \$1,122,000 (22.2 percent) from the prior year. The Township anticipated a 15 percent increase in health insurance based on national trends.
- On the positive side, property tax revenues in 2004 were approximately \$810,000 (3.5 percent) higher than the prior year. This increase is slightly above the rate of inflation. As a result of the Headlee Amendment millage rollbacks and proposal A's assessment caps, any increase above inflation is due to new development.
- Offsetting the state-shared revenue loss, the Township was fortunate to realize a significant revenue gain of \$240,000 from the sale of surplus property and a \$252,000 rebate from Blue Cross. Both of these are one-time revenues that cannot be relied on in future years. The Blue Cross rebate was due to health cost experience less than that projected in Blue Cross' rates. Health insurance rates continue to increase for the Township. However, Blue Cross had assessed at a rate higher due to national trends.
- The Township continues to reduce staff in order to offset revenue losses and cost increases. Operations are being downsized through attrition. During 2004, 10 positions were eliminated when employees either retired or resigned. Five of those positions were in the police department, two in the District Court, and one each in the building and engineering, community planning, and fire departments. An additional five positions were eliminated through layoffs at year end.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (see page 11) and the statement of activities (see pages 12 and 13) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Current assets	\$ 37.8	\$ 37.8	\$ 34.9	\$ 24.0	\$ 72.7	\$ 61.8
Noncurrent assets	64.3	62.4	75.1	77.5	139.4	139.9
Total assets	102.1	100.2	110.0	101.5	212.1	201.7
Liabilities						
Current liabilities	28.1	29.1	4.4	2.1	32.5	31.2
Long-term liabilities	13.6	13.2	9.6	4.7	23.2	17.9
Total liabilities	41.7	42.3	14.0	6.8	55.7	49.1
Net Assets						
Invested in capital assets -						
Net of related debt	47.8	46.8	62.5	72.9	110.3	119.7
Restricted	4.4	3.2	33.5	-	37.9	3.2
Unrestricted	8.2	7.9	-	21.8	8.2	29.7
Total net assets	<u>\$ 60.4</u>	<u>\$ 57.9</u>	<u>\$ 96.0</u>	<u>\$ 94.7</u>	<u>\$ 156.4</u>	<u>\$ 152.6</u>

The Township's combined net assets decreased approximately \$3,800,000 (2.4 percent) from the prior year. The governmental activities portion of net assets decreased approximately \$2,500,000 (4.1 percent) from the prior year. Declining assets are primarily due to depreciation of capital assets.

In addition to staff reductions, the Township has also dramatically cut back on capital expenditures. As we are not adding to the capital assets of the Township, through equipment purchases and new facilities, net assets will decline due to the depreciation of those assets under accrual accounting methods.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Long-term liabilities in the business-type activities were reduced by \$4.9 million (over 50 percent). This was a result of the early retirement of debt obligations in the Water and Sewer Fund. This reduction corresponds with a similar reduction in current assets as cash reserves were used to pay off the debt. This will allow the Township to save in the long run as interest payments on high interest bonds will be eliminated from the annual operating expenses.

The following table shows the Township's major revenue and expenditures as a whole, for both the governmental and business-type activities (in millions of dollars). The bottom of the table shows the changes in net assets during the current year in comparison to the prior year.

The current year to prior year change in net assets shows only slight variations in the dollar amounts. The most significant change from 2003 to 2004 was an increase in public safety (police and fire) expenditures of approximately \$1 million. Over 50 percent of that increase is directly related to increased pension fund contributions.

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Revenue						
Program revenue:						
Charges for services	\$ 7.2	\$ 7.8	\$ 12.1	\$ 12.4	\$ 19.3	\$ 20.2
Operating grants and contributions	1.3	0.9	-	-	1.3	0.9
Capital grants and contributions	-	-	1.2	1.1	1.2	1.1
General revenue:						
Property taxes	22.6	23.4	-	-	22.6	23.4
State-shared revenue	6.6	6.1	-	-	6.6	6.1
Unrestricted investment earnings	0.4	0.4	0.4	0.6	0.8	1.1
Cable franchise fees	0.7	0.7	0.1	0.1	0.8	0.7
Miscellaneous	0.1	0.2	-	-	0.1	0.2
Total revenue	38.9	39.5	13.8	14.2	52.7	53.7
Program Expenses						
General government	7.0	7.4	-	-	7.0	7.4
Public safety:						
Police	14.0	14.5	-	-	14.0	14.5
Fire	8.1	8.6	-	-	8.1	8.6
Public works	0.7	0.6	-	-	0.7	0.6
Building inspection	1.6	1.5	-	-	1.6	1.5
District court	2.5	2.4	-	-	2.5	2.4
Community and economic development	2.2	1.9	-	-	2.2	1.9
Recreation and culture	4.6	4.3	-	-	4.6	4.3
Interest on long-term debt	0.8	0.7	-	-	0.8	0.7
Water and sewer	-	-	15.4	15.5	15.4	15.5
Total program expenses	41.5	41.9	15.4	15.5	56.9	57.4
Change in Net Assets	\$ (2.6)	\$ (2.4)	\$ (1.6)	\$ (1.3)	\$ (4.2)	\$ (3.7)

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's governmental revenues totaled approximately \$39,500,000, with the greatest revenue source being property taxes. Property taxes make up approximately 59.2 percent of total governmental revenue. That percentage is up from approximately 58.1 percent in 2003. Over the past few years, state-shared revenue, building permits, and interest income have all declined. One major revenue source, District Court fees and fines, has remained flat over the past few years. These flat and declining revenues have resulted in a dramatic shift in the burden for funding government. Taxpayers in Waterford have been willing to absorb some of this burden through special millages to fund police, fire, and library services.

Although Waterford is relying more on property tax revenues, the Township still maintains a relatively low millage rate compared to similar-sized communities. The Township's ratio of property tax dollars collected per resident (\$341.84 in 2004) is the lowest of the top 10 population sized communities in Oakland County.

Total governmental expenses for the Township were approximately \$41,900,000. This exceeded revenues by approximately \$2,400,000. Labor costs make up the greatest portion of the Township's expenses. As mentioned above, the Township has experienced large increases in both health insurance and pension costs. Over the past several years, the Township has also realized significant increases in both union and non-union employee wages to stay competitive in the labor market. Contracts with all five labor unions expired at 2003 year end and no wage increase is planned for 2004. Nonunion management, administrative employees, and elected officials did not receive a 2004 increase.

As in most municipalities, labor cost makes up the greatest portion of the budget. A total of 32 positions have been eliminated over 2003 and 2004.

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Fund. The Township provides water through a Township owned and operated ground water system. Sewage treatment is provided to customers through Oakland County as a customer of the Detroit Water and Sewer System.

System revenues are primarily from fees paid by customers based on use. User fees make up approximately 87.3 percent of all revenues. The Township conducted a rate analysis in late 2003. Based on that analysis, a small rate increase was approved for 2004 in order to properly fund the water and sewer expense level.

The business-type activities expenditures totaled approximately \$15,500,000 in 2004. As in the governmental activities, a large portion of the expenditures is labor related. These costs have also been impacted by increases in health and pension benefit costs.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The Township's Funds

An analysis of the Township's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board created funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental funds for 2004 include the General Fund, Police Fund, Fire Fund, and the Improvement Revolving Fund. The Township's major business-type funds consist of the Water and Sewer Fund.

General Fund

The General Fund pays for most of the Township's governmental services, the most significant being police and fire, which incurred combined expenditures of approximately \$22,185,000 during 2004. Approximately \$9,416,000 of these expenditures were funded by the General Fund. The remaining expenditures were funded by special property tax millages of approximately \$11,756,000, state and federal sources, licenses and permits, and charges for services.

Other major activities in the General Fund include the 51st District Court, the parks and recreation department, and all general government administrative and central services operations. Some of these activities rely on fees for services to help offset costs and some do not generate any significant service-related revenue. Therefore, many of these activities rely heavily on property taxes and state-shared revenue to subsidize their operations.

In 2004, the General Fund fund balance increased by approximately \$583,000. This increase turned around a three-year decline whereby the fund balance went from \$5,200,000 to just over \$760,000. As mentioned above, the Township took significant measures to address this declining fund balance, including the elimination of positions.

Throughout 2004, the Township remained cautious of the possibility of further revenue-sharing cuts and increases in employee benefit costs. As the Township realized these cuts in revenue and increases in expenditures, departments were asked to hold the line on expenditures. At year end, total expenditures were 3.6 percent below budgeted amounts. This decrease in expenditures more than offset the losses in revenue and left the Township in a much better position to maintain services in 2005.

The Township's General Fund's year end fund balance is approximately \$1,347,000. This amount represents approximately 6.3 percent of 2004's annual expenditures and net transfers to other funds. This level of fund balance is below the recommended level of between 10 percent and 15 percent of annual expenditures.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Police Fund

The Police Fund covers the operation of the police department. Major revenues include \$6,990,000 from the Township's General Fund and an additional approximate \$6,333,000 in special millage revenue. The department receives a small amount of its revenue from fees, grants, and interest on investment.

Over fiscal year 2004, the Police Fund fund balance was reduced by approximately \$49,000. Staff reductions through attrition helped to offset major increases in employee health and pension costs. Overtime costs were also high in 2004 due to commitments to cover security of presidential candidates and Ryder Cup-related activities associated with the Oakland County International Airport.

Fire Fund

The Fire Fund covers the operations of fire prevention, suppression, and emergency medical services. In 2004, the department received approximately \$2,426,000 from the General Fund and approximately \$5,423,000 from special millages.

The Fire Fund fund balance was reduced by approximately \$321,000. Nearly all of this is attributable to the increases health and pension costs experienced in 2004. In addition, a major incident involving fire personnel returning to the station after an emergency run resulted in serious injuries to three firefighters. Under the Township's self-insured workers' compensation program, expenses associated with this incident attributed to an increase in costs of \$83,000 over the previous year.

As a result of the unforeseen decline in the fund balance, plans to use the fund balance to replace fire station #2 have been put on hold.

Improvement Revolving Fund

The Improvement Revolving Fund shows a healthy fund balance. The Township is using the fund for needed capital improvements in the Township. Efforts are underway to improve long-range capital planning.

This fund is also used to fund special assessment capital improvements. The Improvement Revolving Fund provides a loan to the special assessment district as an alternative to issuing bonds. This allows the district to pay favorable interest rates and save on financing costs associated with a bond sale. The Township benefits from earning a higher rate of interest than what typical municipal investments earn.

Water and Sewer Fund

The Water and Sewer Fund continues to maintain a healthy amount of working capital. Because revenues are derived from user fees and fees are adjusted periodically to cover expenses, the fund is relatively secure. Unlike the governmental activities of the Township, the Water and Sewer Fund does not rely on tax dollars and State aid for its financial well-being.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

In 2004, based on a cost analysis, a small rate increase in water rates was approved. Increased efficiencies and the healthy financial position had allowed the Township to forgo increasing water rates for 11 years. Waterford continues to provide a quality product to our water customers at rates below neighboring communities.

Sewer rates have also remained low, with only the cost of fee increases imposed by Oakland County and the City of Detroit being passed on to customers.

Increasing labor costs, higher standards being placed on the system by both the federal and state governments, and the need to repair and maintain an aging system will require the Township to continue to monitor revenues and expenditures to ensure revenues remain at an adequate level to support the required expenditures of the systems.

General Fund Budgetary Highlights

The Township ended 2004 in a better financial position than when the year began. Unfortunately, staffing and service levels were reduced throughout the year in order to offset revenue losses and expenditure increases. In total, nine General Fund positions were eliminated between the beginning and end of fiscal year 2004. Four of those positions were in the District Court.

District Court revenues through fees and fines were below the budget projection by approximately \$183,000. This was due primarily to declining case loads, particularly traffic tickets. The statistical section of this report demonstrates a five-year decline in traffic citations issued by the police department. Between 2000 and 2004, tickets issued declined by approximately 25 percent.

Construction permit revenue was also down approximately \$129,000 from the original budget, resulting from declining building activity. This decline has been significant over the past several years. The reductions in the building and engineering department staff have offset the loss in revenue.

Interest revenues continue to be below projected levels. This is due to both the low interest rates being paid by banks and the declining amount of money available for investment.

Capital expenditures continue to pose budgeting difficulty. Many road projects that the Township and the Road Commission jointly fund have been delayed by conditions outside the Township's control.

Capital Asset and Debt Administration

The Township paid off early several outstanding water and sewer debts in 2004. Along with our financial consultant, the staff reviewed the Water and Sewer Fund's debt structure. It was determined that the Township could save significant monies by paying off sewer and water bonds issued in years with higher interest rates.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Use of capital improvement bonds for major repairs and maintenance on aging buildings is being considered. This will allow the Township to take care of some repair needs in older buildings that, due to budget constraints, have been neglected over the past few years. It will also allow the Township to maintain sufficient fund balances in the General and Improvement and Revolving Funds.

Economic Factors

There are several economic factors that challenge the Township. These items include revenue sharing, health insurance, pension cost, and state laws limiting the growth in property taxes. The 1978 Headlee Amendment and Proposal A passed in 1993 both limit growth to the rate of inflation. Headlee requires a rollback in the overall millage rate if total property values grow at a rate higher than inflation. Proposal A limits increases in individual property tax assessments to the rate of inflation.

Because labor costs and demands for new service drive cost at a rate higher than the inflation rate, it has forced local governments to rely on new property tax growth or voter-approved tax increases to keep pace with costs.

The Township has been fortunate that the voters have approved renewals of all existing special millages over the past 30 years. Voters also approved a 0.63 millage increase for emergency medical services in 2002. This allowed the department to keep up with the increasing demand for services.

In 2004, the Township's original 1974 police millage was renewed. The Township also asked voters to approve an additional police millage. Both an increase of 1.64 mills in the August primary election and a 1.0 mill in November failed to win voter support.

The Township has experienced modest new growth over the past decade. This has resulted in some new taxable property values. Growth in the Township has slowed recently as the availability of vacant land has diminished. Most future growth will be in the form of redevelopment. Because property taxes are the key source of Township revenue, efforts to promote redevelopment are crucial.

The Township must continue to provide a safe environment with high quality of life services in order to maintain a healthy tax base. The dynamics of Proposal A allow taxable property values to increase back to 50 percent of assessed value once a home is sold. An attractive housing market and new construction growth will help the Township to overcome some of the restrictions of Proposal A and the 1978 Headlee Amendment.

Contacting the Township Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Office of Fiscal and Human Resources at (248) 674-6252.

Charter Township of Waterford

Statement of Net Assets December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 24,666,809	\$ 15,028,070	\$ 39,694,879	\$ 243,650
Restricted cash (Note 1)	-	3,233,098	3,233,098	-
Receivables:				
Taxes	12,443,315	-	12,443,315	-
Customers	-	4,412,242	4,412,242	-
Special assessments	660,457	3,094,601	3,755,058	-
Accrued interest	28,872	191,576	220,448	-
Due from other governmental units	1,424,488	-	1,424,488	-
Rehabilitation revolving	1,350,085	-	1,350,085	-
Other	320,898	2,800	323,698	-
Internal balances (Note 5)	(1,085,652)	1,085,652	-	-
Capital assets - Net (Note 4):				
Nondepreciable capital assets	28,510,058	3,586,166	32,096,224	-
Depreciable capital assets - Net	31,905,247	70,869,622	102,774,869	-
Total assets	100,224,577	101,503,827	201,728,404	243,650
Liabilities				
Accounts payable	577,129	1,689,217	2,266,346	43,362
Accrued and other liabilities	453,721	117,793	571,514	409
Deferred revenue (Note 6)	24,996,506	-	24,996,506	-
Noncurrent liabilities (Note 7):				
Due within one year	3,023,527	341,521	3,365,048	-
Due in more than one year	13,232,287	4,665,000	17,897,287	-
Total liabilities	42,283,170	6,813,531	49,096,701	43,771
Net Assets				
Invested in or restricted for capital assets -				
Net of related debt	46,760,305	72,853,886	119,614,191	-
Restricted for:				
Police restricted use	179,293	-	179,293	-
Weed control	42,539	-	42,539	-
Library and library donations	483,906	-	483,906	-
Bike path	204,071	-	204,071	-
Community Development Block Grant	243,157	-	243,157	-
Rehabilitation revolving	1,350,085	-	1,350,085	-
Cemetery care	70,087	-	70,087	-
Debt service	305,245	-	305,245	-
Capital projects	435,036	-	435,036	-
Water and sewer - Unrestricted	7,867,683	21,836,410	29,704,093	199,879
Total net assets	\$ 57,941,407	\$ 94,690,296	\$ 152,631,703	\$ 199,879

Charter Township of Waterford

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,357,935	\$ 2,112,398	\$ 106,808	\$ -
Public safety:				
Police	14,453,835	253,299	235,204	-
Fire	8,576,925	419,675	-	-
Public works	610,748	439,569	-	-
Building inspection	1,473,563	713,689	-	-
District court	2,418,173	2,448,511	-	-
Community and economic development	1,937,745	262,316	502,191	-
Recreation and culture	4,290,005	1,106,966	75,580	-
Interest on long-term debt	743,442	-	-	-
Total governmental activities	41,862,371	7,756,423	919,783	-
Business-type activities - Water and sewer	15,467,186	12,348,641	-	1,135,167
Total primary government	<u>\$ 57,329,557</u>	<u>\$ 20,105,064</u>	<u>\$ 919,783</u>	<u>\$ 1,135,167</u>
Component units:				
Economic Development Corporation	\$ 34,938	\$ 15,000	\$ -	\$ -
Youth Assistance Corporation	66,984	13,377	66,120	-
Veteran's Memorial	3,544	28,591	-	-
Total component units	<u>\$ 105,466</u>	<u>\$ 56,968</u>	<u>\$ 66,120</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Cable franchise and other fees				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (5,138,729)	\$ -	\$ (5,138,729)	\$ -
(13,965,332)	-	(13,965,332)	-
(8,157,250)	-	(8,157,250)	-
(171,179)	-	(171,179)	-
(759,874)	-	(759,874)	-
30,338	-	30,338	-
(1,173,238)	-	(1,173,238)	-
(3,107,459)	-	(3,107,459)	-
(743,442)	-	(743,442)	-
(33,186,165)	-	(33,186,165)	-
-	(1,983,378)	(1,983,378)	-
(33,186,165)	(1,983,378)	(35,169,543)	-
-	-	-	(19,938)
-	-	-	12,513
-	-	-	25,047
-	-	-	17,622
23,361,991	-	23,361,991	-
6,103,011	-	6,103,011	-
412,640	641,651	1,054,291	2,765
653,945	80,161	734,106	-
219,889	-	219,889	-
30,751,476	721,812	31,473,288	2,765
(2,434,689)	(1,261,566)	(3,696,255)	20,387
60,376,096	95,951,862	156,327,958	179,492
\$ 57,941,407	\$ 94,690,296	\$ 152,631,703	\$ 199,879

Charter Township of Waterford

Governmental Funds Balance Sheet December 31, 2004

	Major Special Revenue Funds				Other Nonmajor	Total Governmental
	General Fund	Police	Fire	Improvement Revolving	Governmental Funds	Funds
Assets						
Cash and investments	\$ 6,499,628	\$ 3,561,768	\$ 3,310,985	\$ 2,219,415	\$ 8,863,030	\$ 24,454,826
Receivables:						
Taxes	4,722,060	3,341,316	2,809,532	-	1,570,407	12,443,315
Special assessments	70,271	-	-	470,190	119,996	660,457
Accrued interest	28,872	-	-	-	-	28,872
Due from other governmental units	1,077,147	-	-	-	347,341	1,424,488
Other	293,172	16,989	9,265	-	1,472	320,898
Due from other funds (Note 5)	-	-	-	200,000	555,987	755,987
Total assets	\$ 12,691,150	\$ 6,920,073	\$ 6,129,782	\$ 2,889,605	\$ 11,458,233	\$ 40,088,843
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 256,249	\$ 57,533	\$ 25,515	\$ 21,891	\$ 215,941	\$ 577,129
Accrued and other liabilities	76,878	130,708	91,584	-	57,528	356,698
Due to other funds (Note 5)	1,355,972	-	300	27,472	453,713	1,837,457
Due to other governmental units	-	-	-	-	-	-
Deferred revenue (Note 6)	9,654,847	6,688,182	5,623,730	470,190	3,290,502	25,727,451
Total liabilities	11,343,946	6,876,423	5,741,129	519,553	4,017,684	28,498,735
Fund Balances						
Reserved for drug enforcement	-	-	-	-	179,293	179,293
Unreserved:						
Designated for subsequent year's expenditures -						
Reported in:						
Special Revenue Funds	-	-	-	284,930	132,710	417,640
Debt Service Funds	-	-	-	-	14,475	14,475
Undesignated - Reported in:						
General Fund	1,347,204	-	-	-	-	1,347,204
Special Revenue Funds	-	43,650	388,653	2,085,122	6,388,265	8,905,690
Debt Service Funds	-	-	-	-	290,770	290,770
Capital Projects Funds	-	-	-	-	435,036	435,036
Total fund balances	1,347,204	43,650	388,653	2,370,052	7,440,549	11,590,108
Total liabilities and fund balances	\$ 12,691,150	\$ 6,920,073	\$ 6,129,782	\$ 2,889,605	\$ 11,458,233	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	59,625,133
Receivables are expected to be collected over several years, and are not available to pay for current year expenditures	732,421
Rehabilitation revolving receivable is expected to be collected over several years and is not available to pay for current year expenditures	1,350,085
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(14,010,581)
Compensated absences are not due and payable in the current period and are not reported in the funds	(1,576,593)
Internal Service Funds are included as part of governmental activities	230,834
Net assets of governmental activities	\$ 57,941,407

Charter Township of Waterford

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2004

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police	Fire	Improvement Revolving		
Revenue						
Property taxes	\$ 8,614,186	\$ 6,333,183	\$ 5,422,720	\$ -	\$ 3,018,378	\$ 23,388,467
Licenses and permits	1,135,080	35,261	-	-	-	1,170,341
Special assessments	415,788	-	-	-	73,774	489,562
Intergovernmental revenue:						
State sources	6,285,499	70,169	20,454	106,808	63,099	6,546,029
Federal sources	-	42,094	31,500	-	1,000,842	1,074,436
Charges for services	1,853,766	140,321	244,694	-	77,175	2,315,956
Fines and fees	2,581,368	56,846	-	-	126,757	2,764,971
Interest	169,728	48,827	29,404	1,035	160,502	409,496
Miscellaneous revenue	911,332	67,892	126,652	175,012	611,330	1,892,218
Total revenue	21,966,747	6,794,593	5,875,424	282,855	5,131,857	40,051,476
Expenditures						
General government	4,990,200	-	-	-	154,501	5,144,701
Public safety:						
Police	73,365	13,700,768	-	-	83,670	13,857,803
Fire	-	-	8,326,820	-	-	8,326,820
Public works	-	-	-	-	17,188	17,188
Building inspection	1,179,696	-	-	-	-	1,179,696
District court	2,374,558	-	-	-	-	2,374,558
Community and economic development	1,489,276	-	-	-	780,256	2,269,532
Recreation and culture	2,140,588	-	-	-	1,905,162	4,045,750
Capital expenditures	54,254	132,484	295,643	553,157	1,288,867	2,324,405
Debt service	100,473	-	-	-	1,069,211	1,169,684
Other	123,517	-	-	-	-	123,517
Total expenditures	12,525,927	13,833,252	8,622,463	553,157	5,298,855	40,833,654
Excess of Revenue Over (Under) Expenditures	9,440,820	(7,038,659)	(2,747,039)	(270,302)	(166,998)	(782,178)
Other Financing Sources (Uses)						
Transfers in (Note 5)	557,635	6,990,000	2,425,878	184,409	-	10,157,922
Transfers out (Note 5)	(9,415,878)	-	-	(146,319)	(595,725)	(10,157,922)
Total other financing sources (uses)	(8,858,243)	6,990,000	2,425,878	38,090	(595,725)	-
Net Change in Fund Balances	582,577	(48,659)	(321,161)	(232,212)	(762,723)	(782,178)
Fund Balances - Beginning of year	764,627	92,309	709,814	2,602,264	8,203,272	12,372,286
Fund Balances - End of year	<u>\$ 1,347,204</u>	<u>\$ 43,650</u>	<u>\$ 388,653</u>	<u>\$ 2,370,052</u>	<u>\$ 7,440,549</u>	<u>\$ 11,590,108</u>

Charter Township of Waterford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (782,178)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are recorded as capital assets	2,099,444
Governmental funds allocate the cost of capital assets over their estimated useful lives as depreciation	(3,325,110)
Proceeds from the sale of capital assets reported as revenue in the governmental funds; the statement of activities records a gain or loss, included in general government expense	(345,897)
Certain revenues reported in the statement of activities in previous years did not provide current financial resources in the governmental funds until the current year	(625,866)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	564,000
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the fund	(252,310)
Change in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	100,380
Internal Service Funds are also included as governmental activities	<u>132,848</u>

Change in Net Assets of Governmental Activities \$ (2,434,689)

Charter Township of Waterford

Proprietary Funds Statement of Net Assets December 31, 2004

	Enterprise Fund Water and Sewer Fund	Internal Service Fund Motor Pool
Assets		
Current assets:		
Cash and investments	\$ 15,028,070	\$ 211,983
Restricted cash (Note 1)	3,233,098	-
Receivables:		
Customers	4,412,242	-
Special assessments	3,094,601	-
Accrued interest receivable	191,576	-
Other	2,800	-
Due from other funds	1,412,471	-
Total current assets	27,374,858	211,983
Noncurrent assets:		
Nondepreciable capital assets	3,586,166	-
Depreciable capital assets	70,869,622	790,172
Total noncurrent assets	74,455,788	790,172
Total assets	101,830,646	1,002,155
Liabilities		
Current liabilities:		
Accounts payable	1,689,217	-
Accrued and other liabilities	117,793	2,139
Due to other funds	326,819	4,182
Current portion of long-term debt	170,000	260,000
Total current liabilities	2,303,829	266,321
Noncurrent liabilities:		
Accumulated employee benefits	171,521	-
Long-term debt - Net of current portion	4,665,000	505,000
Total noncurrent liabilities	4,836,521	505,000
Total liabilities	7,140,350	771,321
Net Assets		
Investment in or restricted for capital assets - Net of related debt	72,853,886	25,172
Unrestricted	21,836,410	205,662
Total net assets	<u>\$ 94,690,296</u>	<u>\$ 230,834</u>

Charter Township of Waterford

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2004

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Pool
Operating Revenue		
Water usage billings	\$ 3,538,589	\$ -
Sewage disposal charges	8,599,796	-
Hydrant rental	1,200	-
Meter charges	38,165	-
Charges for services	264,737	284,361
State sources	14,283	-
Total operating revenue	12,456,770	284,361
Operating Expenses		
Cost of water	1,889,388	-
Cost of sewage disposal	5,262,612	-
Operation and maintenance	1,159,545	-
General and administrative	4,057,731	7,500
Depreciation	2,780,684	124,846
Other services and charges	244	-
Total operating expenses	15,150,204	132,346
Operating Income (Loss)	(2,693,434)	152,015
Nonoperating Income (Expense)		
Interest expense	(330,667)	(20,801)
Interest income	641,651	1,634
Total nonoperating income (expense)	310,984	(19,167)
Income (Loss) - Before capital contributions	(2,382,450)	132,848
Capital Contributions		
Donated from developers	330,229	-
Tap-in fees, system burden fees, and other	790,655	-
Total capital contributions	1,120,884	-
Change in Net Assets	(1,261,566)	132,848
Net Assets - Beginning of year	95,951,862	97,986
Net Assets - End of year	<u>\$ 94,690,296</u>	<u>\$ 230,834</u>

Charter Township of Waterford

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2004

	Enterprise Fund - Water and Sewer	Internal Service Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 12,154,562	\$ 284,361
Payments to suppliers	(8,467,823)	(7,500)
Payments to employees	(3,899,440)	-
Other receipts (payments)	(39,824)	41,425
Net cash (used in) provided by operating activities	(252,525)	318,286
Cash Flows from Capital and Related Financing Activities		
Collection of customer assessments (principal and interest)	852,333	-
Contributions from customers	790,655	-
Proceeds from the issuance of long-term debt	-	465,000
Purchase of capital assets	(2,322,066)	(449,015)
Principal and interest paid on capital debt	(7,022,293)	(170,801)
Net cash used in capital and related financing activities	(7,701,371)	(154,816)
Cash Flows from Investing Activities		
Interest received on investments	641,651	1,634
Purchase of investment securities	21,131,287	-
Proceeds from sale and maturities of investment securities	(12,254,109)	-
Net cash provided by investing activities	9,518,829	1,634
Net Increase in Cash and Cash Equivalents	1,564,933	165,104
Cash and Cash Equivalents - Beginning of year	6,225,553	46,879
Cash and Cash Equivalents - End of year	\$ 7,790,486	\$ 211,983
Statement of Net Assets Classification of Cash and Cash Equivalents		
Cash and investments	\$ 15,028,070	\$ 211,983
Restricted cash	3,233,098	-
Less amounts classified as investments (Note 3)	(10,470,682)	-
Total cash and cash equivalents	\$ 7,790,486	\$ 211,983
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ (2,693,434)	\$ 152,015
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization	2,780,684	124,846
Changes in assets and liabilities:		
Receivables	(375,608)	-
Due from/to other funds	75,628	43,130
Accounts payable	(3,273)	-
Accrued and other liabilities	(36,522)	(1,705)
Net cash (used in) provided by operating activities	\$ (252,525)	\$ 318,286

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2004, developers constructed water and sewer lines with estimated values of \$330,229 and donated them to the Township's Enterprise Fund. During 2004, the Township used \$523,374 of restricted assets held at Oakland County to pay debt principal payments.

Charter Township of Waterford

Fiduciary Funds Statement of Net Assets December 31, 2004

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 104,548	\$ 5,578,004
Investments:		
U.S. government securities	7,051,197	-
Collateralized mortgage obligations	9,927,721	-
Corporate bonds	3,998,608	-
Common stocks	42,195,544	-
Foreign bonds	132,589	-
Mutual funds	11,376,820	-
Pension manager short-term funds	15,099,602	-
Investments held by broker-dealer and banks under securities lending:		
U.S. government securities	2,564,020	-
U.S. corporate fixed income	145,925	-
U.S. equities	6,301,933	-
Securities lending short-term collateral bank investment pools	9,262,739	-
Other receivables	-	76,088
Total assets	108,161,246	\$ 5,654,092
Liabilities		
Accounts payable	3,761,177	\$ -
Due to other governmental units	-	4,191,846
Bonds and other deposits	-	1,435,839
Accrued and other liabilities	-	26,407
Amounts due to broker under securities lending agreement	9,262,739	-
Total liabilities	13,023,916	\$ 5,654,092
Net Assets - Held in trust for pension	\$ 95,137,330	

Charter Township of Waterford

Fiduciary Funds Statement of Changes in Net Assets Pension Trust Funds Year Ended December 31, 2004

Additions

Investment income:

Interest and dividends	\$ 1,868,785
Net increase in fair value of investments	7,260,252
Less investment expenses	<u>(77,039)</u>

Net investment income 9,051,998

Securities lending income:

Interest and fees	160,527
Less borrower rebates and bank fees	<u>(147,651)</u>

Total securities lending income 12,876

Contributions:

Employer	4,858,582
Employee	<u>605,626</u>

Total contributions 5,464,208

Total additions 14,529,082

Deductions

Benefit payments	4,741,716
Administrative expenses	<u>361,120</u>

Total deductions 5,102,836

Net Increase 9,426,246

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year 85,711,084

End of year \$ 95,137,330

Charter Township of Waterford

Component Units Statement of Net Assets December 31, 2004

	Economic Development Corporation	Waterford Youth Assistance Corporation	Veteran's Memorial Fund	Total
Assets				
Cash and investments	\$ 167,001	\$ 36,135	\$ 40,514	\$ 243,650
Due from other governmental units	-	-	-	-
Total assets	167,001	36,135	40,514	243,650
Liabilities				
Accounts payable	41,390	2,381	-	43,771
Due to other governmental units	-	-	-	-
Total liabilities	41,390	2,381	-	43,771
Net Assets - Unrestricted	\$ 125,611	\$ 33,754	\$ 40,514	\$ 199,879

Charter Township of Waterford

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - General government	\$ 34,938	\$ 15,000	\$ -	\$ -
Waterford Youth Assistance Corporation - Community and economic development	66,984	13,377	66,120	-
Veteran's Memorial Fund - General government	3,544	28,591	-	-
Total governmental activities	<u>\$ 105,466</u>	<u>\$ 56,968</u>	<u>\$ 66,120</u>	<u>\$ -</u>
General Revenue - Interest				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Component Units
Statement of Activities
Year Ended December 31, 2004**

Economic Development Corporation	Waterford Youth Assistance Corporation	Veteran's Memorial Fund	Total
\$ (19,938)	\$ -	\$ -	\$ (19,938)
-	12,513	-	12,513
-	-	25,047	25,047
(19,938)	12,513	25,047	17,622
2,069	283	413	2,765
(17,869)	12,796	25,460	20,387
143,480	20,958	15,054	179,492
<u>\$ 125,611</u>	<u>\$ 33,754</u>	<u>\$ 40,514</u>	<u>\$ 199,879</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Waterford, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected seven-member Board of Trustees. The Township's administration operates under the overall direction of an elected supervisor. The accompanying financial statements present the Township and its component units. The component units are entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are a part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Blended Component Units - The Waterford Township Building Authority is governed by a board that is appointed by the Township. Although it is legally separate from the Township, it is reported as if it were part of the primary government, because its sole purpose is to finance and construct the Township's public buildings. The Building Authority Debt Service Fund has been blended into the General and Library Special Revenue Funds.

The Charter Township of Waterford's Police and Fire Retirement System and the Charter Township of Waterford's Regular Employees' Retirement System have been blended into the Township's financial statements. These systems are governed by a five-member Pension Board that includes the Township treasurer, two elected individuals chosen by the Township Board, and two members of the retirement system that are elected by the members of the system. The systems are reported as if they were part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of each system. The operations of the Police and Fire Retirement System and the Regular Employees' Retirement System are reported as Pension Trust Funds.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units - The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

- a. The Waterford Youth Assistance Corporation was created to mobilize community interest and forces toward youth and family adjustment and to aid in the prevention of juvenile delinquency and neglect. The Waterford Youth Assistance Corporation's governing body, which consists of four individuals, is selected by the General Citizens Council, which is appointed by the Township board.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The Economic Development Corporation's governing body, which consists of 11 individuals, is selected by the supervisor and approved by the Township board.
- c. The Veteran's Memorial Fund was created for the sole purpose of building and maintaining a memorial to all veterans who have served honorably in the military service of the United States. The Veteran's Memorial Fund's governing body, which consists of five individuals, is selected by the supervisor and approved by the Township board.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township (primary government) and its discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or segment (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes billed during the month of December will be used to finance the following year's operations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, licenses, and interest are susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Police Fund accounts for the operations of the law enforcement activities of the Township. Funding is provided primarily through a local property tax levy and through transfers in from the General Fund.
- The Fire Fund accounts for the operations of the fire departments of the Township. Funding is provided primarily through a local property tax levy and through transfers in from the General Fund.
- The Improvement Revolving Fund provides accounting and budgeting for resources designated for Township building and equipment improvements and land acquisition. Funding is provided from the General Fund and the sale of capital assets.

The Township reports the following major proprietary fund:

- The Water and Sewer Fund accounts for the activity of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Additionally, the Township reports the following fund types:

- The Internal Service Fund is used to account for the financing of goods and services provided by one department to other departments of the Township on a cost reimbursement basis. The Township's Internal Service - Motor Pool Fund has been established to account for costs associated with vehicles purchased by the Township and used by all departments within the Township.
- The Pension Trust Funds account for the activities of employee benefit plans that accumulate resources for pension payments to qualified employees.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

- The Trust and Agency Fund accounts for assets held by the Township in a trustee capacity. The Trust and Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement or results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The Township's 2003 tax is levied and collectible on December 1, 2003 and is recognized as revenue in the year ended December 31, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Charter Township of Waterford totaled \$2.273 billion, on which ad valorem taxes levied consisted of 3.7743 mills for operating purposes, 2.7851 mills for the police, 2.3848 mills for the fire, .9277 mills for the library, and .4000 mills for debt on the public safety building. This resulted in \$8.52 million for operating purposes, \$6.33 million for the police, \$5.42 million for the fire, \$2.11 million for the library, and \$.91 million for debt on the public safety building. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The delinquent real property taxes of the Township are purchased by Oakland County (the "County"). In approximately April or May, the County treasurer reimburses the local unit for delinquent real property taxes through the County revolving fund. If delinquent real taxes cannot be collected by the County, the local unit portion of the tax is invoiced or deducted from the monthly County settlement.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Restricted Cash - The amount that is classified as restricted cash is the amount of unspent bond proceeds to be used for capital improvements in the Water and Sewer Fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 for personal property, \$10,000 for infrastructure, \$50,000 for building and improvements, \$75,000 for intangible assets, and no threshold for land, land improvements, telecommunications equipment, and library books with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and improvements	15-40 years
Infrastructure	40 years
Lines and laterals	75 years
Machinery and office equipment, vehicles, and other	3-13 years
Library books	10 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy that employees earn sick and vacation pay benefits on their anniversary date and it must be used within one year. The government-wide and proprietary fund statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since July 1, 2000 is as follows:

Cumulative shortfall - January 1, 2004		\$ (1,666,116)
Current year building permit revenue		662,313
Related expenses:		
Direct costs	\$ 877,571	
Estimated indirect costs	<u>-</u>	
Total construction code expenses		<u>877,571</u>
Cumulative shortfall - December 31, 2004		<u>\$ (1,881,374)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91(Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township's deposit and investment policies are in accordance with statutory authority.

The Township has designated 12 banks for the deposit of funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the items described above.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments (Continued)

The Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Waterford Township Police and Fire Retirement Systems and the Waterford Township Employees Retirement Systems (the "Systems") lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Systems' custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended December 31, 2004, only United States currency was received as collateral.

The Systems and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of December 31, 2004 was 135 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On December 31, 2004, the Systems had no credit risk exposure to borrowers. The collateral held and the fair market values of underlying securities on loan as of December 31, 2004 were \$9,262,739 and \$9,011,878, respectively, as follows:

	Police and Fire Pension	Regular Employees' Pension	Total
Securities:			
U.S. government securities	\$ 1,049,234	\$ 1,514,786	\$ 2,564,020
U.S. corporate fixed income	-	145,925	145,925
U.S. equities	2,667,750	3,634,183	6,301,933
Total	<u>\$ 3,716,984</u>	<u>\$ 5,294,894</u>	<u>\$ 9,011,878</u>
Collateral held	<u>\$ 3,827,415</u>	<u>\$ 5,435,324</u>	<u>\$ 9,262,739</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments (Continued)

The Systems did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and cash equivalents	\$ 9,665,907	\$ 4,557,388	\$ 14,223,295	\$ 5,682,552	\$ 243,650
Investments	15,000,902	10,470,682	25,471,584	108,056,698	-
Restricted cash	-	3,233,098	3,233,098	-	-
Total	<u>\$ 24,666,809</u>	<u>\$ 18,261,168</u>	<u>\$ 42,927,977</u>	<u>\$ 113,739,250</u>	<u>\$ 243,650</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 32,570,838	\$ 5,680,139	\$ 243,650
Investments in securities, mutual funds, and similar vehicles	10,348,164	108,059,111	-
Petty cash or cash on hand	8,975	-	-
Total	<u>\$ 42,927,977</u>	<u>\$ 113,739,250</u>	<u>\$ 243,650</u>

The bank balance of the Township's primary government deposits is \$31,660,194, of which \$1,300,000 is covered by federal depository insurance and the remainder is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments (Continued)

Component Units

The cash and investments of the Township's component units consist of bank deposits of \$243,650. These deposits are held in the name of the Township and any federal depository insurance coverage on those deposits would potentially be shared with the Township.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at December 31, 2004. Risk Category I includes those investments that are held in the Township's name and meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Township or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the Township's name.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments (Continued)

At year end, the Township's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government - Bank investment pools				<u>\$ 10,348,164</u>
Fiduciary funds:				
U.S. government securities	\$ -	\$ 7,051,197	\$ -	\$ 7,051,197
Collateralized mortgage obligations	-	9,927,721	-	9,927,721
Corporate bonds	-	3,998,608	-	3,998,608
Common stocks	-	42,195,544	-	42,194,957
Foreign bonds	-	132,589	-	132,589
Subtotal	-	63,305,659	-	63,305,072
Investments not subject to categorization:				
Mutual funds	-	-	-	11,376,820
Pension manager short-term funds	-	-	-	15,102,602
Investments held by broker-dealer and banks under securities lending:				
U.S. government securities	-	-	-	2,564,020
U.S. corporate fixed income	-	-	-	145,925
U.S. equities	-	-	-	6,301,933
Securities lending short-term collateral bank investment pools	-	-	-	9,262,739
Total fiduciary funds	<u>\$ -</u>	<u>\$ 63,305,659</u>	<u>\$ -</u>	<u>\$ 108,059,111</u>

The bank investment pools, pension manager short-term funds, and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The investments held by broker-dealers and banks under securities loans are not categorized because the corresponding collateral is recorded in the financial statements. The corporate stock and bonds are all held by the pension funds. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 4 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 26,508,649	\$ -	\$ -	\$ 26,508,649
Construction in progress	1,094,459	906,950	-	2,001,409
Subtotal	27,603,108	906,950	-	28,510,058
Capital assets being depreciated:				
Infrastructure	11,407,176	14,789	-	11,421,965
Buildings and improvements	28,296,966	219,418	-	28,516,384
Machinery and office equipment, vehicles, and other	17,102,965	1,407,302	(605,755)	17,904,512
Subtotal	56,807,107	1,641,509	(605,755)	57,842,861
Accumulated depreciation:				
Infrastructure	8,022,881	469,436	-	8,492,317
Buildings and improvements	6,709,007	724,926	-	7,433,933
Machinery and office equipment, vehicles, and other	8,015,628	2,255,594	(259,858)	10,011,364
Subtotal	22,747,516	3,449,956	(259,858)	25,937,614
Net capital assets being depreciated	34,059,591	(1,808,447)	(345,897)	31,905,247
Net governmental activities capital assets	<u>\$ 61,662,699</u>	<u>\$ (901,497)</u>	<u>\$ (345,897)</u>	<u>\$ 60,415,305</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Capital assets not being depreciated:				
Land	\$ 3,455,491	\$ -	\$ -	\$ 3,455,491
Construction in progress	58,237	72,438	-	130,675
Subtotal	3,513,728	72,438	-	3,586,166
Capital assets being depreciated:				
Lines and laterals	71,899,105	1,966,824	-	73,865,929
Buildings and improvements	25,172,052	90,939	-	25,262,991
Machinery and office equipment, vehicles, and other	6,099,824	522,094	-	6,621,918
Subtotal	103,170,981	2,579,857	-	105,750,838
Accumulated depreciation:				
Lines and laterals	24,320,880	1,568,622	-	25,889,502
Buildings and improvements	4,544,423	560,488	-	5,104,911
Machinery and office equipment, vehicles, and other	3,235,229	651,574	-	3,886,803
Subtotal	32,100,532	2,780,684	-	34,881,216
Net capital assets being depreciated	71,070,449	(200,827)	-	70,869,622
Net business-type capital assets	\$ 74,584,177	\$ (128,389)	\$ -	\$ 74,455,788

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 2,418,733
Public safety - Police	468,273
Public safety - Fire	380,832
District court	41,124
Community and economic development	5,184
Recreation and culture	135,810

Total governmental activities \$ 3,449,956

Business-type activities - Water and sewer \$ 2,780,684

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 4 - Capital Assets (Continued)

Construction Commitments - The Township has active construction projects at year end. The projects include the water main replacement project and the library building project. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Water main replacement	\$ 1,108,199	\$ 47,827
Library building	<u>1,657,944</u>	<u>95,133</u>
Total	<u>\$ 2,766,143</u>	<u>\$ 142,960</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund statements is as follows:

Receivable Fund	Payable Fund	Amount
Improvement Revolving Fund	Nonmajor governmental funds	\$ 200,000
Nonmajor governmental funds	General Fund	19,850
	Fire Fund	300
	Internal Service Fund	4,182
	Nonmajor governmental funds	204,836
	Water and Sewer Fund	<u>326,819</u>
	Total nonmajor governmental funds	555,987
Water and Sewer Fund	General Fund	1,336,122
	Improvement Revolving Fund	27,472
	Nonmajor governmental funds	<u>48,877</u>
	Total Water and Sewer Fund	<u>1,412,471</u>
	Total	<u>\$ 2,168,458</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 5 - Interfund Receivables, Payables and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Fire Fund	\$ 2,425,878
	Police Fund	<u>6,990,000</u>
	Total General Fund	9,415,878
Improvement Revolving Fund	General Fund	146,319
Nonmajor governmental funds	General Fund	200,000
	Improvement Revolving Fund	184,409
	Nonmajor governmental funds	<u>211,316</u>
	Total nonmajor governmental funds	<u>595,725</u>
	Total	<u><u>\$ 10,157,922</u></u>

The transfers from the General Fund to the Fire Fund and the Police Fund represent transfers of unrestricted resources to finance operations of the fire and police departments in accordance with budgetary authorizations.

Note 6 - Deferred Revenue

Statement of Net Assets - On the statement of net assets, the deferred revenue in the governmental activities represents property taxes levied on December 1, 2004, but recognized as revenue in the year ending December 31, 2005, when the proceeds of the levy are budgeted and available for financing operations.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 6 - Deferred Revenue (Continued)

Governmental Funds Balance Sheet - Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue recorded on the governmental funds balance sheet are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	\$ 36,170	\$ 24,996,506	\$ 25,032,676
Special assessments and other	<u>694,775</u>	<u>-</u>	<u>694,775</u>
Total	<u>\$ 730,945</u>	<u>\$ 24,996,506</u>	<u>\$ 25,727,451</u>

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:						
Building Authority Bonds -						
1998 Building Authority Bonds:						
Amount of issue - \$730,000	4.60% -	\$80,000 -				
Maturing through 2006	4.75%	\$90,000	\$ 260,000	\$ (90,000)	\$ 170,000	\$ 90,000
General Obligation Bonds:						
General Obligation Bonds - Series 1998:						
Amount of issue - \$7,000,000	4.10% -	\$200,000 -				
Maturing through 2018	4.15%	\$725,000	6,075,000	(175,000)	5,900,000	200,000
General Obligation Bonds - Series 1999:						
Amount of issue - \$7,000,000	4.75% -	\$225,000 -				
Maturing through 2018	5.00%	\$725,000	6,550,000	(200,000)	6,350,000	225,000
General Obligation Limited Tax Bonds -						
Capital Improvement Bonds - Series 2001:						
Amount of issue - \$600,000						
Maturing through 2006	3.50%	\$150,000	450,000	(150,000)	300,000	150,000
General Obligation Limited Tax Bonds -						
Capital Improvement Bonds - Series 2004:						
Amount of issue - \$465,000	2.00% -	\$110,000 -				
Maturing through 2008	2.30%	\$135,000	-	465,000	465,000	110,000
Special Assessment Bonds:						
Special Assessment Bonds - Series 1994:						
Amount of issue - \$120,000						
Maturing through 2004	5.25%	\$10,000	10,000	(10,000)	-	-
Special Assessment Bonds - Series 1994-A:						
Amount of issue - \$755,000	4.50% -					
Maturing through 2009	5.00%	\$80,000	480,000	(80,000)	400,000	80,000
Lapham Road Special Assessment Bonds - 2001:						
Amount of issue - \$88,000	4.50% -					
Maturing through 2011	6.75%	\$10,000	79,000	(9,000)	70,000	10,000
Other long-term obligations:						
Employee compensated absences			1,676,973	(100,380)	1,576,593	1,576,593
Estimated personal property tax multiplier liability (Note 12)			191,930	11,541	203,471	-
Estimated liability for workers' compensation claims (Note 11)			389,103	59,713	448,816	210,000
Estimated liability for general liability claims (Note 11)			172,907	199,027	371,934	371,934
Total governmental activities			16,334,913	(79,099)	16,255,814	3,023,527

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type activities						
County Contract Obligations:						
November 1972 - Water ext. #3:						
Amount of issue - \$4,200,000	3.50% -					
Maturing through 2005	4.00%	\$400,000	\$ 400,000	\$ (400,000)	\$ -	\$ -
May 1972 - Phase II:						
Amount of issue - \$20,400,000	5.75% -					
Maturing through 2005	7.00%	-	2,350,000	(2,350,000)	-	-
July 1992 - Water iron filtration:						
Amount of issue - \$6,000,000	5.90% -					
Maturing through 2007	6.15%	-	2,400,000	(2,400,000)	-	-
July 1993 - Water iron filtration:						
Amount of issue - \$3,900,000	4.90% -					
Maturing through 2007	5.25%	-	1,900,000	(1,900,000)	-	-
Cap. Improvement Bond - Series 2003:						
Amount of issue - \$5,000,000	2.00% -	\$170,000 -				
Maturing through 2013	4.50%	\$365,000	5,000,000	(165,000)	4,835,000	170,000
Employee-compensated absences			181,724	(10,203)	171,521	171,521
Total business-type activities			12,231,724	(7,225,203)	5,006,521	341,521
Total business-type and governmental activities			\$ 28,566,637	\$ (7,304,302)	\$ 21,262,335	\$ 3,365,048

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 865,000	\$ 603,793	\$ 1,468,793	\$ 170,000	\$ 175,180	\$ 345,180
2006	905,000	568,044	1,473,044	180,000	171,780	351,780
2007	725,000	534,491	1,259,491	185,000	168,180	353,180
2008	800,000	502,401	1,302,401	195,000	164,480	359,480
2009	740,000	468,468	1,208,468	200,000	159,800	359,800
2010 - 2014	4,420,000	1,755,425	6,175,425	1,140,000	700,388	1,840,388
2015 - 2019	5,200,000	499,631	5,699,631	1,400,000	473,995	1,873,995
2020 - 2024	-	-	-	1,365,000	154,735	1,519,735
Total	\$ 13,655,000	\$ 4,932,253	\$ 18,587,253	\$ 4,835,000	\$ 2,168,538	\$ 7,003,538

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 8 - Pension Plans

Plan Descriptions

The Township administers two single-employer defined benefit pension plans: The Police and Fire Retirement System and the Regular Employees' Retirement System.

The Police and Fire Retirement System covers all full-time police and fire employees and the Regular Employees' Retirement System covers all other full-time employees of the Township. Both systems provide retirement benefits as well as death and disability benefits.

At December 31, 2003, the date of the most recent actuarial valuation, membership consisted of the following:

	Police and Fire Retirement System	Regular Employees' Retirement System
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	81	129
Current active employees	<u>151</u>	<u>211</u>
Total membership	<u><u>232</u></u>	<u><u>340</u></u>

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the Systems for these employees was established by negotiation with the Township's competitive bargaining units. The Police and Fire Retirement System requires a contribution from substantially all member employees of 5 percent of gross wages. The Regular Employees' Retirement System allows contributions from employees in order to purchase credit for military time. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 8 - Pension Plans (Continued)

Annual Pension Costs - For the year ended December 31, 2004, the Township's annual pension cost of \$3,078,138 for the Police and Fire Retirement System and \$1,780,444 for the Regular Employees' Retirement System was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003 using the entry actual age cost method. Significant actuarial assumptions used include a 7.0 percent investment rate of return, and projected salary increases ranging from 4.1 percent to 11.9 percent and 4.5 percent to 7.7 percent for the Police and Fire Retirement System and for the Regular Employees' Retirement System, respectively. The projected salary increases include an inflation factor of 4.0 percent and 4.5 percent for the Police and Fire Retirement System and for the Regular Employees' Retirement System, respectively. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions for the Police and Fire Retirement System and for the Regular Employees' Retirement System. The remaining amortization period is 28 years for the Police and Fire Retirement System and 30 years for the Regular Employees' Retirement System.

Reserves - As of December 31, 2004, the plans' legally required reserves have been fully funded as follows:

Police and Fire Retirement System:

Reserve for employees' contributions	\$ 8,890,651
Reserve for employer contributions	14,633,575
Reserve for retired benefit payments	<u>28,335,689</u>

Total Police and Fire Retirement System	51,859,915
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Regular Employees' Retirement System:

Reserve for employees' contributions	1,260,084
Reserve for employer contributions	25,610,086
Reserve for retired benefit payments	<u>16,407,245</u>

Total Regular Employees' Retirement System	<u>43,277,415</u>
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Total reserves	<u><u>\$ 95,137,330</u></u>
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Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 8 - Pension Plans (Continued)

Three-year Trend Information

	Fiscal Year Ended December 31		
	2002	2003	2004
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,153,300	\$ 2,510,091	\$ 3,078,138
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
Regular Employees' Retirement System:			
Annual pension costs (APC)	\$ 994,059	\$ 1,487,005	\$ 1,780,444
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

Note 9 - Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, 185 individuals are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$2,377,000.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims; the Township is self-insured for workers' compensation claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (MMRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the MMRMA and then MMRMA uses those premiums to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Township estimates the liability for general liability and workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation	
	2004	2003	2004	2003
Estimated liability - Beginning of year	\$ 172,907	\$ 289,087	\$ 389,103	\$ 316,586
Estimated claims incurred, including changes in estimates	2,272,730	1,027,373	210,002	216,972
Claim payments	(2,073,703)	(1,143,553)	(150,289)	(144,455)
Estimated liability - End of year	<u>\$ 371,934</u>	<u>\$ 172,907</u>	<u>\$ 448,816</u>	<u>\$ 389,103</u>
Estimated current portion	\$ 371,934	\$ 172,907	\$ 210,000	\$ 180,000
Estimated long-term portion	<u>-</u>	<u>-</u>	<u>238,816</u>	<u>209,103</u>
Total estimated liability	<u>\$ 371,934</u>	<u>\$ 172,907</u>	<u>\$ 448,816</u>	<u>\$ 389,103</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2004

Note 11 - Personal Property Tax Multipliers

In November 1999, the State Tax Commission approved revised personal property tax tables for utilities. The revised tables affected taxes collected from 1997 to the present due to local units of government continuing to use the personal property tax tables in effect prior to 1999. The issue was the subject of a lawsuit brought by several units of government against the State Tax Commission challenging the constitutionality of the new utility personal property tax tables. In April 2002, the revised tables were upheld by the court.

During 2003, the tax tables were again upheld on appeal. The amounts paid to the Township in excess of the approved amounts using the new tables would potentially need to be refunded to the utility companies. This could result in refunds, including interest, of approximately \$203,500 in the governmental funds. Appeals are still being undertaken by taxing authorities. Therefore, the potential refund related to the governmental funds has been recorded as long-term liability on the government-wide statement of net assets at December 31, 2004.

Required Supplemental Information

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 8,663,381	\$ 8,663,381	\$ 8,614,186	\$ (49,195)
State sources	6,887,694	6,887,694	6,285,499	(602,195)
Special assessments	411,000	411,000	415,788	4,788
Licenses and permits	764,300	764,300	664,769	(99,531)
Fines and forfeitures	2,764,055	2,764,055	2,581,368	(182,687)
Charges for services	1,877,676	1,877,676	1,853,766	(23,910)
Interest income	350,000	350,000	169,728	(180,272)
Cable revenue	417,260	417,260	470,311	53,051
Other	575,719	575,719	911,332	335,613
Transfer from other funds	-	-	557,635	557,635
Total revenue	22,711,085	22,711,085	22,524,382	(186,703)
Expenditures				
General government:				
Township board	75,100	75,100	72,438	2,662
Supervisor and assessing	787,653	805,529	796,260	9,269
Elections	83,335	83,335	67,737	15,598
Clerk	512,909	515,182	501,895	13,287
Personnel	271,848	275,448	268,684	6,764
General services	1,522,962	1,553,462	1,439,126	114,336
Retiree benefits	976,908	976,908	1,022,227	(45,319)
Information services	385,320	395,601	323,509	72,092
Treasurer	554,773	568,162	541,920	26,242
Facilities and operations	1,267,586	1,275,841	1,179,696	96,145
Total general government	6,438,394	6,524,568	6,213,492	311,076
District Court	2,472,901	2,499,732	2,378,181	121,551
Public safety - School crossing guards	64,590	64,590	73,365	(8,775)
Planning department	1,400,250	1,452,837	1,327,629	125,208
Health and welfare	201,340	201,340	165,746	35,594
Parks and recreation	2,346,056	2,358,678	2,143,524	215,154
Debt service	100,400	100,400	100,473	(73)
Other	253,517	151,547	123,517	28,030
Transfers to other funds:				
Police Fund	6,990,000	-	-	-
Fire Fund	2,425,878	-	-	-
Improvement Revolving Fund	-	9,415,878	9,415,878	-
Total charges to appropriations	16,254,932	22,769,570	21,941,805	827,765
Net Change in Fund Balance	17,759	(58,485)	582,577	641,062
Fund Balance - Beginning of year	764,627	764,627	764,627	-
Fund Balance - End of year	<u>\$ 782,386</u>	<u>\$ 706,142</u>	<u>\$ 1,347,204</u>	<u>\$ 641,062</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended December 31, 2004

	Police Fund			Variance with
	Original	Amended		Amended
	Budget	Budget	Actual	Budget
				Favorable
				(Unfavorable)
Revenues				
Property taxes	\$ 6,329,799	\$ 6,329,799	\$ 6,333,183	\$ 3,384
State sources	5,000	5,000	70,169	65,169
Federal sources	78,500	92,118	42,094	(50,024)
Licenses and permits	30,000	30,000	35,261	5,261
Fines and forfeitures	63,500	63,500	56,846	(6,654)
Charges for services	145,000	145,000	140,321	(4,679)
Interest income	50,000	50,000	48,827	(1,173)
Other	55,000	55,000	67,892	12,892
Transfer from other funds	6,990,000	6,990,000	6,990,000	-
Total revenue	13,746,799	13,760,417	13,784,593	24,176
Expenditures				
Public safety - Police	13,599,648	13,609,866	13,700,768	(90,902)
Capital outlay	147,151	150,551	132,484	18,067
Total expenditures	13,746,799	13,760,417	13,833,252	(72,835)
Net Change in Fund Balance	-	-	(48,659)	(48,659)
Fund Balance - Beginning of year	92,309	92,309	92,309	-
Fund Balance - End of year	<u>\$ 92,309</u>	<u>\$ 92,309</u>	<u>\$ 43,650</u>	<u>\$ (48,659)</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended December 31, 2004

	Fire Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues				
Property taxes	\$ 5,420,013	\$ 5,420,013	\$ 5,422,720	\$ 2,707
Intergovernmental revenue:				
State sources	-	-	20,454	20,454
Federal sources	-	-	31,500	31,500
Charges for services	248,837	248,837	244,694	(4,143)
Interest income	60,000	60,000	29,404	(30,596)
Other	36,000	36,000	126,652	90,652
Transfer from other funds	2,425,878	2,425,878	2,425,878	-
Total revenue	8,190,728	8,190,728	8,301,302	110,574
Expenditures				
Public safety - Fire	8,027,260	8,026,920	8,326,820	(299,900)
Capital outlay	263,468	303,468	295,643	7,825
Total expenditures	8,290,728	8,330,388	8,622,463	(292,075)
Net Change in Fund Balance	(100,000)	(139,660)	(321,161)	(181,501)
Fund Balance - Beginning of year	709,814	709,814	709,814	-
Fund Balance - End of year	<u>\$ 609,814</u>	<u>\$ 570,154</u>	<u>\$ 388,653</u>	<u>\$ (181,501)</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended December 31, 2004

	Improvement Revolving Fund			Variance with
				Amended
				Budget
				Favorable
	Original Budget	Amended Budget	Actual	(Unfavorable)
Revenues				
State sources	\$ 262,894	\$ 262,894	\$ 106,808	\$ (156,086)
Interest income	10,000	10,000	1,035	(8,965)
Other	167,159	221,559	175,012	(46,547)
Transfer from other funds	-	-	184,409	184,409
Total revenue	440,053	494,453	467,264	(27,189)
Expenditures				
Capital outlay	468,894	980,368	553,157	427,211
Transfer to other funds	146,319	146,319	146,319	-
Total expenditures	615,213	1,126,687	699,476	427,211
Net Change in Fund Balance	(175,160)	(632,234)	(232,212)	400,022
Fund Balance - Beginning of year	2,602,264	2,602,264	2,602,264	-
Fund Balance - End of year	<u>\$ 2,427,104</u>	<u>\$ 1,970,030</u>	<u>\$ 2,370,052</u>	<u>\$ 400,022</u>

Charter Township of Waterford

Required Supplemental Information Pension System Schedule of Funding Progress December 31, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
Police and Fire Retirement System						
1998	\$ 39,341,000	\$ 43,606,000	\$ 4,265,000	90.2	\$ 7,167,000	60.0
1999	44,261,000	47,593,000	3,332,000	93.0	7,748,000	43.0
2000	48,100,000	52,000,000	3,900,000	92.5	8,200,000	47.6
2001	50,700,000	57,700,000	7,000,000	87.9	8,800,000	79.5
2002	50,300,000	62,200,000	11,900,000	80.9	9,200,000	129.3
2003	50,600,000	67,600,000	17,000,000	74.9	10,500,000	161.9
Regular Employees' Retirement System						
1998	\$ 33,389,000	\$ 29,150,000	\$ (4,239,000)	114.5	\$ 6,563,000	(64.5)
1999	36,325,000	32,425,000	(3,900,000)	112.0	7,897,000	(49.4)
2000	39,317,000	34,816,000	(4,501,000)	112.9	8,182,000	(55.0)
2001	41,200,000	36,700,000	(4,500,000)	112.3	8,900,000	(50.5)
2002	40,800,000	39,900,000	(900,000)	102.0	9,400,000	(9.6)
2003	41,600,000	44,300,000	2,700,000	94.0	9,500,000	28.4

Charter Township of Waterford

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) December 31, 2004

The schedule of employer contributions is as follows:

Police and Fire Retirement System

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
1999	\$ 1,568,120	100.0
2000	1,605,659	100.0
2001	1,755,033	100.0
2002	2,153,300	100.0
2003	2,510,091	100.0
2004	3,078,138	100.0

Regular Employees' Retirement System

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
1999	\$ 838,085	100.0
2000	1,051,557	100.0
2001	984,758	100.0
2002	994,059	100.0
2003	1,487,005	100.0
2004	1,780,444	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2003, the latest actuarial valuation, follows:

Police and Fire Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	28 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases*	4.1% - 11.9%
*Includes inflation at	4.0%

Regular Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases*	4.5% - 7.7%
*Includes inflation at	4.5%

Charter Township of Waterford

Notes to Required Supplemental Information December 31, 2004

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Police Fund		Fire Fund		Improvement Revolving Fund	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 21,966,747	\$ 12,525,927	\$ 6,794,593	\$ 13,833,252	\$ 5,875,424	\$ 8,622,463	\$ 282,855	\$ 553,157
Operating transfers budgeted as revenue and expenditures	557,635	9,415,878	6,990,000	-	2,425,878	-	184,409	146,319
Amounts per budget statement	<u>\$ 22,524,382</u>	<u>\$ 21,941,805</u>	<u>\$ 13,784,593</u>	<u>\$ 13,833,252</u>	<u>\$ 8,301,302</u>	<u>\$ 8,622,463</u>	<u>\$ 467,264</u>	<u>\$ 699,476</u>

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before September 1, the Office of Fiscal and Human Resources Director and the Township supervisor prepare a proposed operating budget for the fiscal year commencing January 1 and submit it to the board. The budget must be adopted through a passage of a budget resolution no later than November 1.
2. Public hearings are conducted to obtain citizen comments.
3. The legislative budget is adopted by fund on a departmental basis. Line item detail is provided as a general guideline. Throughout the year, the board receives requests to amend the activity budget. All amendments must be approved by a vote of the Township board. Changes in line items within an activity may be made with the approval of the director of fiscal and human resources.

Charter Township of Waterford

Notes to Required Supplemental Information December 31, 2004

Note 2 - Budgetary Information (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township did not incur any expenditures that were significantly in excess of the amounts budgeted.

The Community Development Block Grant was not budgeted on a calendar year basis; therefore, the fund's budget statement has not been presented. The CAI Building, sick and vacation pay, and Hess Hathaway Trust funds were not budgeted for in the current year due to the Township closing each of these funds and transferring fund balance out to another fund. The weed control and S.A.D. road paving were not budgeted for in the current year.

Other Supplemental Information

Charter Township of Waterford

Description of Nonmajor Governmental Funds Year Ended December 31, 2004

Special Revenue Funds

These funds are used to account for specific revenue sources, which are legally restricted to expenditures for specific functions or activities. Restrictions may be imposed by State Statute, the State Constitution, Township board resolution or action, or the electorate through the approval of special dedicated millages.

Bike Path Fund - This fund accounts for donations received from the public for the development of the Township's bike path system through land acquisition and infrastructure development.

Community Development Block Grant Fund - Entitlements received under the federally funded Community Development Block Grant Program are accounted for in this fund. These funds are used to provide approved Block Grant projects and programs.

Library Fund - This fund accounts for specific property taxes and related revenues used to stock books and operate programs in the various city libraries.

Library Donations Fund - This fund accounts for donations received from the public. These funds are used as needed for children's programs, library furniture, and improvements to the facility.

CAI Building Fund - This fund accounts for donations received by the Township from the public for the acquisition and maintenance of the CAI Building.

Sick and Vacation Pay Fund - This fund accounts for the ongoing expenses associated with providing sick and vacation pay to the Township's employees. This fund receives contributions from other funds to build a reserve that will generate sufficient income for the annual expense of employee sick and vacation pay.

Hess Hathaway Trust Fund - This fund accounts for donations received by the Township from the public and from grants for the building and maintenance of Hess Hathaway park.

Workers' Compensation Fund - This fund is used to provide financial stability in the case of a catastrophic workers' compensation claim. This fund was established in the 1980s when the Township converted to a self-insured insurance program.

Cemetery Care Fund - This fund is used to account for the revenue of the sales of grave sites and interments. The funds are used for the annual expense of cemetery maintenance.

Weed Control Funds - These funds are used to account for revenues and expenditures related to special assessments for weed control of various lakes within the Township.

Charter Township of Waterford

Description of Nonmajor Governmental Funds (Continued) Year Ended December 31, 2004

Police Restricted Use Fund - This fund is used to account for monies seized in arrests for illegal drug activities and from various grants issued to the police department. Functions and activities include drug enforcement and education, departmental training, and expenses associated with the grants received.

Health Benefits Fund - This fund was created to finance the ongoing expenses associated with providing health benefits to the Township's retired employees. This fund receives contributions from other funds to build a reserve that will eventually generate sufficient income for the annual expense of retiree health benefits.

Cable Commission Fund - This fund was created to account for the cable-related activities of the Township. The Township receives a franchise fee from Comcast annually.

Debt Service Fund

This fund is used to account for the accumulation of resources for the periodic payment of principal and interest on police and fire long-term debt.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Revenue sources include General Fund transfers, grants from other units of government, private contributions, and bond proceeds.

S.A.D. Road Paving Fund - This fund accounts for the construction phase of local improvements that benefit property owners and, as such, are ultimately financed through special assessments.

Police and Fire Building Fund - This fund accounts for the capital purchases and construction of the police and fire buildings by the Township.

Internal Service Fund

This fund accounts for the costs of acquiring and maintaining Township-operated vehicles used by various Township departments. The actual cost of labor and materials is reimbursed to this fund by the user departments through fees.

Trust and Agency Funds

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

Charter Township of Waterford

Description of Nonmajor Governmental Funds (Continued) **Year Ended December 31, 2004**

Agency Fund - This fund accounts for deposit of monies held by the Township government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Pension Trust Funds - The Township operates two retirement systems, which are accounted for in two separate funds. These funds include the Regular Employees' Pension Fund, covering all full-time regular employees (excluding sworn police and fire employees), and the Police and Fire Pension Fund, which covers sworn police and fire employees.

Charter Township of Waterford

	Special Revenue Funds						
	Bike Path	Community Development Block Grant	Library	Library Donations	CAI Building	Sick and Vacation Pay	Hess Hathaway Trust
Assets							
Cash and investments	\$ 230,499	\$ 128,022	\$ 1,725,523	\$ 25,225	\$ -	\$ -	\$ -
Receivables:							
Taxes	-	-	1,092,999	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Due from other governmental units	-	347,341	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due from other funds	-	-	142,697	300	-	-	-
Total assets	\$ 230,499	\$ 475,363	\$ 2,961,219	\$ 25,525	\$ -	\$ -	\$ -
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ -	\$ 14,446	\$ 166,345	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	26,428	4,686	21,903	-	-	-	-
Deferred revenue	-	-	2,187,815	-	-	-	-
Due to other funds	-	213,074	126,775	-	-	-	-
Total liabilities	26,428	232,206	2,502,838	-	-	-	-
Fund Balance - Unreserved							
Designated for subsequent year's expenditures	36,102	-	36,458	22,850	-	-	-
Undesignated	167,969	243,157	421,923	2,675	-	-	-
Total fund balances	204,071	243,157	458,381	25,525	-	-	-
Total liabilities and fund balance	\$ 230,499	\$ 475,363	\$ 2,961,219	\$ 25,525	\$ -	\$ -	\$ -

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

Special Revenue Funds							Capital Projects Funds		Total Nonmajor Governmental Funds
Workers' Compensation	Cemetery Care	Weed Control	Police Restricted Use	Health Benefits	Cable Commission	Debt Service	S.A.D. Road Paving	Police and Fire Building	
\$ 487,406	\$ 70,087	\$ 67,619	\$ 181,040	\$ 4,526,072	\$ 246,111	\$ 781,345	\$ 337,322	\$ 56,759	\$ 8,863,030
-	-	-	-	-	-	477,408	-	-	1,570,407
-	-	224	-	-	-	-	119,772	-	119,996
-	-	-	-	-	-	-	-	-	347,341
-	-	-	1,472	-	-	-	-	-	1,472
-	-	7,757	-	326,819	-	516	77,898	-	555,987
<u>\$ 487,406</u>	<u>\$ 70,087</u>	<u>\$ 75,600</u>	<u>\$ 182,512</u>	<u>\$ 4,852,891</u>	<u>\$ 246,111</u>	<u>\$ 1,259,269</u>	<u>\$ 534,992</u>	<u>\$ 56,759</u>	<u>\$ 11,458,233</u>
\$ -	\$ -	\$ 22,314	\$ 1,743	\$ -	\$ 2,415	\$ -	\$ -	\$ 8,678	\$ 215,941
-	-	2,990	-	-	730	-	-	791	57,528
-	-	-	1,476	-	-	954,024	147,187	-	3,290,502
-	-	7,757	-	106,048	-	-	-	59	453,713
-	-	33,061	3,219	106,048	3,145	954,024	147,187	9,528	4,017,684
-	-	-	15,700	-	21,600	14,475	-	-	147,185
<u>487,406</u>	<u>70,087</u>	<u>42,539</u>	<u>163,593</u>	<u>4,746,843</u>	<u>221,366</u>	<u>290,770</u>	<u>387,805</u>	<u>47,231</u>	<u>7,293,364</u>
<u>487,406</u>	<u>70,087</u>	<u>42,539</u>	<u>179,293</u>	<u>4,746,843</u>	<u>242,966</u>	<u>305,245</u>	<u>387,805</u>	<u>47,231</u>	<u>7,440,549</u>
<u>\$ 487,406</u>	<u>\$ 70,087</u>	<u>\$ 75,600</u>	<u>\$ 182,512</u>	<u>\$ 4,852,891</u>	<u>\$ 246,111</u>	<u>\$ 1,259,269</u>	<u>\$ 534,992</u>	<u>\$ 56,759</u>	<u>\$ 11,458,233</u>

Charter Township of Waterford

Special Revenue Funds							
	Bike Path	Community Development Block Grant	Library	Library Donations	CAI Building	Sick and Vacation Pay	Hess Hathaway Trust
Revenue							
Property taxes	\$ -	\$ -	\$ 2,109,493	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-
Intergovernmental revenue:							
State sources	-	-	63,099	-	-	-	-
Federal sources	-	1,000,842	-	-	-	-	-
Charges for services	-	-	77,175	-	-	-	-
Fines and fees	-	-	126,757	-	-	-	-
Interest	3,490	-	14,782	-	-	-	-
Miscellaneous revenue	4,000	-	1,467	12,481	-	-	-
Total revenue	7,490	1,000,842	2,392,773	12,481	-	-	-
Expenditures							
General government	-	-	-	-	-	-	-
Public safety - Police	-	-	-	-	-	-	-
Public works	17,188	-	-	-	-	-	-
Community and economic development	-	780,256	-	-	-	-	-
Recreation and culture	-	-	1,881,938	6,436	-	-	-
Capital expenditures	-	-	1,244,325	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	17,188	780,256	3,126,263	6,436	-	-	-
Excess of Revenue Over (Under)							
Expenditures	(9,698)	220,586	(733,490)	6,045	-	-	-
Other Financing Uses - Transfers out	-	-	-	-	(134,459)	(211,316)	(49,950)
Fund Balances - Beginning of year	213,769	22,571	1,191,871	19,480	134,459	211,316	49,950
Fund Balances - End of year	\$ 204,071	\$ 243,157	\$ 458,381	\$ 25,525	\$ -	\$ -	\$ -

**Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2004**

Special Revenue Funds							Capital Projects Funds		
Workers' Compensation	Cemetery Care	Weed Control	Police Restricted Use	Health Benefits	Cable Commission	Debt Service	S.A.D. Road Paving	Police and Fire Building	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 908,885	\$ -	\$ -	\$ 3,018,378
-	-	-	-	-	-	-	73,774	-	73,774
-	-	-	-	-	-	-	-	-	63,099
-	-	-	-	-	-	-	-	-	1,000,842
-	-	-	-	-	-	-	-	-	77,175
-	-	-	-	-	-	-	-	-	126,757
37,719	-	-	-	85,149	4,928	4,563	9,871	-	160,502
-	-	-	145,322	273,225	174,835	-	-	-	611,330
37,719	-	-	145,322	358,374	179,763	913,448	83,645	-	5,131,857
-	-	-	-	-	154,501	-	-	-	154,501
-	-	-	83,670	-	-	-	-	-	83,670
-	-	-	-	-	-	-	-	-	17,188
-	-	-	-	-	-	-	-	-	780,256
-	-	16,788	-	-	-	-	-	-	1,905,162
-	-	-	-	-	1,715	-	738	42,089	1,288,867
-	-	-	-	-	-	944,256	124,955	-	1,069,211
-	-	16,788	83,670	-	156,216	944,256	125,693	42,089	5,298,855
37,719	-	(16,788)	61,652	358,374	23,547	(30,808)	(42,048)	(42,089)	(166,998)
(200,000)	-	-	-	-	-	-	-	-	(595,725)
649,687	70,087	59,327	117,641	4,388,469	219,419	336,053	429,853	89,320	8,203,272
\$ 487,406	\$ 70,087	\$ 42,539	\$ 179,293	\$ 4,746,843	\$ 242,966	\$ 305,245	\$ 387,805	\$ 47,231	\$ 7,440,549

Charter Township of Waterford

Combining Statement of Net Assets Fiduciary Funds December 31, 2004

	Police and Fire Pension	Regular Employees' Pension	Total
Assets			
Cash and cash equivalents	\$ 12,327,659	\$ (12,223,111)	\$ 104,548
Investments:			
U.S. government securities	4,353,997	2,697,200	7,051,197
Collateralized mortgage obligations	3,346,388	6,581,333	9,927,721
Corporate bonds	1,994,630	2,003,978	3,998,608
Common stocks	22,525,168	19,670,376	42,195,544
Foreign bonds	132,589	-	132,589
Mutual funds	5,267,786	6,109,034	11,376,820
Pension manager short-term funds	349,367	14,750,235	15,099,602
Investments held by broker-dealer and banks under securities lending:			
U.S. government securities	1,514,786	1,049,234	2,564,020
U.S. corporate fixed income	145,925	-	145,925
U.S. equities	3,634,183	2,667,750	6,301,933
Securities lending short-term collateral bank investment pools	3,827,415	5,435,323	9,262,738
Total assets	59,419,893	48,741,352	108,161,245
Liabilities			
Accounts payable	3,732,561	28,616	3,761,177
Amounts due to broker under securities lending agreement	3,827,415	5,435,323	9,262,738
Total liabilities	7,559,976	5,463,939	13,023,915
Net Assets - Reserved			
Police and Fire Pension	51,859,917	-	51,859,917
Regular Employees' Pension	-	43,277,413	43,277,413
Total net assets	\$ 51,859,917	\$ 43,277,413	\$ 95,137,330

Charter Township of Waterford

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended December 31, 2004

	Police and Fire Pension	Regular Employees' Pension	Total
Additions			
Investment income:			
Interest and dividends	\$ 990,899	\$ 877,886	\$ 1,868,785
Net increase in fair value of investments	3,707,254	3,552,998	7,260,252
Less investment expense	(35,260)	(41,779)	(77,039)
Net investment income	4,662,893	4,389,105	9,051,998
Securities lending income:			
Interest and fees	91,560	68,967	160,527
Less borrower rebates and bank fees	(84,002)	(63,649)	(147,651)
Total securities lending income	7,558	5,318	12,876
Contributions:			
Employer	3,078,138	1,780,444	4,858,582
Employee	562,371	43,255	605,626
Total contributions	3,640,509	1,823,699	5,464,208
Deductions			
Benefit payments	2,773,560	1,968,156	4,741,716
Administrative expenses	195,448	165,672	361,120
Total deductions	2,969,008	2,133,828	5,102,836
Net Increase	5,341,952	4,084,294	9,426,246
Net Assets Held in Trust for Pension Benefits			
Beginning of year	46,517,965	39,193,119	85,711,084
End of year	<u>\$ 51,859,917</u>	<u>\$ 43,277,413</u>	<u>\$ 95,137,330</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended December 31, 2004

	Bike Path Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Licenses - Bikes	\$ 100	\$ 100	\$ -	\$ (100)
Interest revenue	6,000	6,000	3,490	(2,510)
Miscellaneous revenue	-	-	4,000	4,000
Total revenues	6,100	6,100	7,490	1,390
Expenditures				
Bike path expense	45,852	45,852	17,188	(28,664)
Capital outlay	30,000	30,000	-	(30,000)
Total expenditures	75,852	75,852	17,188	(58,664)
Net Change in Fund Balance	(69,752)	(69,752)	(9,698)	60,054
Fund Balance - Beginning of year	213,769	213,769	213,769	-
Fund Balance - End of year	<u>\$ 144,017</u>	<u>\$ 144,017</u>	<u>\$ 204,071</u>	<u>\$ 60,054</u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2004

	Library Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Property taxes	\$ 2,108,645	\$ 2,108,645	\$ 2,109,493	\$ 848
State sources	55,000	55,000	63,099	8,099
Charges for services	77,175	77,175	77,175	-
Fines and fees	115,000	115,000	126,757	11,757
Interest	20,000	20,000	14,782	(5,218)
Miscellaneous	-	-	1,467	1,467
Total revenues	2,375,820	2,375,820	2,392,773	16,953
Expenditures				
Library expense	2,008,983	2,008,983	1,881,938	127,045
Capital outlay	306,200	1,451,714	1,244,325	207,389
Total expenditures	2,315,183	3,460,697	3,126,263	334,434
Net Change in Fund Balance	60,637	(1,084,877)	(733,490)	351,387
Fund Balance - Beginning of year	1,191,871	1,191,871	1,191,871	-
Fund Balance - End of year	<u>\$ 1,252,508</u>	<u>\$ 106,994</u>	<u>\$ 458,381</u>	<u>\$ 351,387</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2004

	Library Donations Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Interest revenue	\$ 150	\$ 150	\$ -	\$ (150)
Contribution - Library donations	<u>6,000</u>	<u>11,900</u>	<u>12,481</u>	<u>581</u>
Total revenues	6,150	12,050	12,481	431
Expenditures				
Supplies - Books, magazines, etc.	2,300	7,300	6,436	(864)
Capital - Computer	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>14,300</u>	<u>7,300</u>	<u>6,436</u>	<u>(864)</u>
Net Change in Fund Balance	(8,150)	4,750	6,045	1,295
Fund Balance - Beginning of year	<u>19,480</u>	<u>19,480</u>	<u>19,480</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 11,330</u></u>	<u><u>\$ 24,230</u></u>	<u><u>\$ 25,525</u></u>	<u><u>\$ 1,295</u></u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2004

	Workers' Compensation Fund			Variance With
				Final Budget
	Original Budget	Final Budget	Actual	Favorable
				(Unfavorable)
Revenues				
Interest revenue	\$ -	\$ -	\$ -	\$ -
Interest revenue - Investments	12,000	12,000	37,719	25,719
Total revenues	12,000	12,000	37,719	25,719
Expenditures				
Expenditures	500	500	-	(500)
Transfer to General Fund	200,000	200,000	200,000	-
Total expenditures	200,500	200,500	200,000	(500)
Net Change in Fund Balance	(188,500)	(188,500)	(162,281)	26,219
Fund Balance - Beginning of year	649,687	649,687	649,687	-
Fund Balance - End of year	<u>\$ 461,187</u>	<u>\$ 461,187</u>	<u>\$ 487,406</u>	<u>\$ 26,219</u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2004

	Cemetery Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues - Contribution - General Fund	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	70,087	70,087	70,087	-
Fund Balance - End of year	<u>\$ 70,087</u>	<u>\$ 70,087</u>	<u>\$ 70,087</u>	<u>\$ -</u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2004

	Police Restricted Use Fund			Variance With
				Final Budget
				Favorable
	Original Budget	Final Budget	Actual	(Unfavorable)
Revenues				
Criminal justice	\$ 18,000	\$ 18,000	\$ 18,733	\$ 733
State sources	6,000	6,000	5,775	(225)
Vehicle inspection	1,000	1,000	600	(400)
State drug seizure	75,000	75,000	96,887	21,887
Federal drug seizure	-	11,000	20,279	9,279
Community police	3,500	3,500	1,538	(1,962)
Intrest	1,000	1,000	1,510	510
Total revenues	104,500	115,500	145,322	29,822
Expenditures				
Banking services	-	-	504	(504)
Criminal justice training	18,000	18,000	8,426	9,574
PSAP training	10,000	10,000	2,622	7,378
Drug seizure expense	25,000	25,000	54,796	(29,796)
Federal drug seizure expense	-	16,000	16,000	-
Vehicle inspection expense	1,000	1,000	-	1,000
Community police	3,000	3,000	1,322	1,678
Capital - Vehicles	30,000	30,000	-	30,000
Total expenditures	87,000	103,000	83,670	19,330
Net Change in Fund Balance	17,500	12,500	61,652	49,152
Fund Balance - Beginning of year	117,641	117,641	117,641	-
Fund Balance - End of year	<u>\$ 135,141</u>	<u>\$ 130,141</u>	<u>\$ 179,293</u>	<u>\$ 49,152</u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2004

	Health Benefits Fund			Variance With
				Final Budget
	Original Budget	Final Budget	Actual	Favorable
				(Unfavorable)
Revenues				
Interest revenue - Investments	\$ 50,000	\$ 50,000	\$ 85,149	\$ 35,149
Contribution - Health care	273,975	273,975	273,225	(750)
Total revenues	323,975	323,975	358,374	34,399
Expenditures	-	-	-	-
Net Change in Fund Balance	323,975	323,975	358,374	34,399
Fund Balance - Beginning of year	4,388,469	4,388,469	4,388,469	-
Fund Balance - End of year	<u>\$ 4,712,444</u>	<u>\$ 4,712,444</u>	<u>\$ 4,746,843</u>	<u>\$ 34,399</u>

Note: This fund will not be used for payments until a program to fund retiree health care is designed.

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2004

	Cable Commission Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Interest revenue	\$ 4,000	\$ 4,000	\$ 4,928	\$ 928
Contribution - Comcast cable	155,240	155,240	174,835	19,595
Total revenues	159,240	159,240	179,763	20,523
Expenditures				
Cable expenses	170,527	171,566	154,501	(17,065)
Capital outlay	1,050	1,050	1,715	665
Total expenditures	171,577	172,616	156,216	(16,400)
Net Change in Fund Balance	(12,337)	(13,376)	23,547	36,923
Fund Balance - Beginning of year	219,419	219,419	219,419	-
Fund Balance - End of year	<u><u>\$ 207,082</u></u>	<u><u>\$ 206,043</u></u>	<u><u>\$ 242,966</u></u>	<u><u>\$ 36,923</u></u>

Charter Township of Waterford

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2004

	Debt Service Fund			Variance With
	Original Budget	Final Budget	Actual	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Tax revenue	\$ 909,095	\$ 909,095	\$ 908,885	\$ (210)
Interest revenue	8,000	8,000	4,563	(3,437)
Total revenues	917,095	917,095	913,448	(3,647)
Expenditures				
Tax roll adjustments	-	-	-	-
Principal - Police and fire bonds	375,000	375,000	375,000	-
Interest - Police and fire bonds	568,657	568,657	568,656	(1)
Agent fees	600	600	600	-
Total expenditures	944,257	944,257	944,256	(1)
Net Change in Fund Balance	(27,162)	(27,162)	(30,808)	(3,646)
Fund Balance - Beginning of year	336,053	336,053	336,053	-
Fund Balance - End of year	<u>\$ 308,891</u>	<u>\$ 308,891</u>	<u>\$ 305,245</u>	<u>\$ (3,646)</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2004

	Police and Fire Building Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Interest revenue	\$ -	\$ -	\$ -	\$ -
Interest revenue - Investments	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Architects and engineers	-	-	7,992	7,992
Construction expense	-	-	34,097	34,097
Total expenditures	-	-	42,089	42,089
Net Change in Fund Balance	-	-	(42,089)	(42,089)
Fund Balance - Beginning of year	89,320	89,320	89,320	-
Fund Balance - End of year	<u>\$ 89,320</u>	<u>\$ 89,320</u>	<u>\$ 47,231</u>	<u>\$ (42,089)</u>

Charter Township of Waterford

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds December 31, 2004

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
<u>Tax Collections</u>				
Assets				
Cash and investments	\$ 2,830,530	\$ 219,024,391	\$ 217,661,632	\$ 4,193,289
Receivables	-	533,959	512,778	21,181
Total assets	\$ 2,830,530	\$ 219,558,350	\$ 218,174,410	\$ 4,214,470
Liabilities				
Due to other governmental units	\$ 2,823,760	\$ 40,134,532	\$ 38,770,229	\$ 4,188,063
Other liabilities	6,770	37,368	17,731	26,407
Total liabilities	\$ 2,830,530	\$ 40,171,900	\$ 38,787,960	\$ 4,214,470
<u>Other Agency Funds</u>				
Assets				
Cash and investments	\$ 1,355,260	\$ 41,141,394	\$ 41,111,939	\$ 1,384,715
Due from other governmental units	40,946	85,515	126,461	-
Receivables	3,801	97,200	46,094	54,907
Total assets	\$ 1,400,007	\$ 41,324,109	\$ 41,284,494	\$ 1,439,622
Liabilities				
Due to other governmental units	\$ 3,138	\$ 1,228	\$ 583	\$ 3,783
Accounts payable	21,328	514,215	535,543	-
Cash bonds and deposits	1,375,541	113,403	53,105	1,435,839
Total liabilities	\$ 1,400,007	\$ 628,846	\$ 589,231	\$ 1,439,622
<u>Total Agency Funds</u>				
Assets				
Cash and investments	\$ 4,185,790	\$ 260,165,785	\$ 258,773,571	\$ 5,578,004
Receivables	3,801	631,159	558,872	76,088
Due from other governmental units	40,946	85,515	126,461	-
Total assets	\$ 4,230,537	\$ 260,882,459	\$ 259,458,904	\$ 5,654,092
Liabilities				
Due to other governmental funds	\$ 2,826,898	\$ 40,135,760	\$ 38,770,812	\$ 4,191,846
Accounts payable	21,328	514,215	535,543	-
Other liabilities	6,770	37,368	17,731	26,407
Cash bonds and deposits	1,375,541	113,403	53,105	1,435,839
Total liabilities	\$ 4,230,537	\$ 40,800,746	\$ 39,377,191	\$ 5,654,092

Statistical Section

Charter Township of Waterford

Financial Trend Information Net Assets by Component

	Fiscal Year	
	2003	2004
Governmental Activities		
Invested in capital assets - Net of related debt	\$ 47,758,699	\$ 46,760,305
Restricted	4,448,658	3,313,419
Unrestricted	8,168,739	7,867,683
Business-type Activities		
Invested in or restricted for capital assets - Net of related debt	62,534,177	72,853,886
Restricted	692,679	-
Unrestricted	32,725,006	21,836,410
Primary Government in Total		
Invested in or restricted for capital assets - Net of related debt	110,292,876	119,614,191
Restricted	5,141,337	3,313,419
Unrestricted	40,893,745	29,704,093

Note: In fiscal year 2003, the Township adopted GASB No. 34 and began reporting a governmental-wide statement of net assets

Source: Township annual financial statements

Charter Township of Waterford

Financial Trend Information (Continued) Changes in Governmental Net Assets

	Fiscal Year	
	2003	2004
Expenses		
General government	\$ 5,649,672	\$ 7,357,935
District court	3,140,799	2,418,173
Police	14,014,063	14,453,835
Fire and EMS	8,104,381	8,576,925
Building inspections and related	1,590,632	1,473,563
Community and economic activities	2,342,490	1,937,745
Recreation and culture	5,176,747	4,290,005
Public works activities	684,653	610,748
Interest on long-term debt	765,496	743,442
Total governmental activities	41,468,933	41,862,371
Program Revenues		
Charges for services:		
General government	1,254,061	2,112,398
District Court	2,418,119	2,448,511
Police	270,735	253,299
Fire	299,416	419,675
Building inspections and related	668,000	713,689
Recreation and culture	1,489,629	1,106,966
Community and economic activities	261,846	262,316
Other activities	514,872	439,569
Total charges for services	7,176,678	7,756,423
Operating grants and contributions	1,291,768	919,783
Capital grants and contributions	-	-
Total program revenue	8,468,446	8,676,206
Net expenses	(33,000,487)	(33,186,165)
General Revenues		
Property taxes	22,552,041	23,361,991
State-shared revenues	6,597,657	6,103,011
Investment earnings	448,991	412,640
Franchise fees	668,750	653,945
Miscellaneous	98,846	219,889
Total general revenues	30,366,285	30,751,476
Change in net assets	<u>\$ (2,634,202)</u>	<u>\$ (2,434,689)</u>

Note: In fiscal year 2003, the Township adopted GASB No. 34 and began reporting a governmental-wide statement of net assets

Source: Township annual financial statements

Charter Township of Waterford

	Fiscal Year			
	1995	1996	1997	1998
Operating Revenue				
Water usage billings	\$ 2,850,958	\$ 2,873,721	\$ 2,966,439	\$ 3,393,269
Sewage disposal charges	5,231,577	5,423,900	5,709,619	6,165,698
Hydrant rental	91,412	1,070	1,151	2,342
Meter charges	69,262	80,158	83,838	101,465
Charges for services	176,974	404,394	6,190	83,850
State sources	-	-	-	-
Total operating revenue	8,420,183	8,783,243	8,767,237	9,746,624
Operating Expenses				
Cost of water	1,513,185	1,495,769	1,654,529	1,782,820
Cost of sewage disposal	2,571,786	2,660,179	2,669,414	2,808,344
Operation and maintenance costs	839,091	1,280,217	939,408	530,232
General and administrative costs	1,738,190	1,844,417	2,037,830	2,473,430
Depreciation	2,386,625	2,447,700	2,497,000	2,561,966
Other services and charges	-	-	-	-
Total operating expenses	9,048,877	9,728,282	9,798,181	10,156,792
Operating Loss	(628,694)	(945,039)	(1,030,944)	(410,168)
Nonoperating Revenue (Expenses)				
Property taxes	2,396,489	2,151,161	1,134,216	1,204,892
Investment income	3,457,268	3,074,673	3,795,131	2,510,333
Interest expense	(2,794,632)	(2,556,367)	(2,061,758)	(1,974,883)
Total nonoperating revenue (expenses)	3,059,125	2,669,467	2,867,589	1,740,342
Income (Loss) - Before contributions	2,430,431	1,724,428	1,836,645	1,330,174
Capital Contributions	-	-	-	-
Change in Net Assets	<u>\$ 2,430,431</u>	<u>\$ 1,724,428</u>	<u>\$ 1,836,645</u>	<u>\$ 1,330,174</u>

Source: Township annual financial statements

Financial Trend Information (Continued)
Changes in Business-type Net Assets

Fiscal Year					
1999	2000	2001	2002	2003	2004
\$ 3,469,481	\$ 3,170,208	\$ 3,273,165	\$ 3,436,532	\$ 3,301,757	\$ 3,538,589
6,510,088	6,625,930	7,161,780	8,021,301	8,497,681	8,599,796
2,855	1,074	1,305	1,020	1,173	1,200
100,875	79,322	59,524	62,926	52,537	38,165
75,560	151,477	243,174	257,741	295,499	264,737
-	-	-	-	17,940	14,283
10,158,859	10,028,011	10,738,948	11,779,520	12,166,587	12,456,770
1,813,183	1,683,118	1,609,646	1,708,453	1,938,057	1,889,388
3,235,232	3,630,939	3,750,735	4,593,631	5,176,929	5,262,612
1,622,868	1,274,760	1,482,038	1,370,232	1,550,088	1,159,545
2,732,318	2,499,109	2,893,828	2,657,727	3,560,230	4,057,731
2,752,309	2,932,916	3,139,592	3,295,361	2,641,377	2,780,684
-	-	-	-	62,537	244
12,155,910	12,020,842	12,875,839	13,625,404	14,929,218	15,150,204
(1,997,051)	(1,992,831)	(2,136,891)	(1,845,884)	(2,762,631)	(2,693,434)
428,751	452,505	484,389	205,810	-	-
2,958,472	3,271,897	2,114,190	1,118,394	418,198	641,651
(1,690,838)	(1,391,671)	(1,158,526)	(684,503)	(454,023)	(330,667)
1,696,385	2,332,731	1,440,053	639,701	(35,825)	310,984
(300,666)	339,900	(696,838)	(1,206,183)	(2,798,456)	(2,382,450)
-	-	1,314,651	1,793,900	1,171,875	1,120,884
\$ (300,666)	\$ 339,900	\$ 617,813	\$ 587,717	\$ (1,626,581)	\$ (1,261,566)

Charter Township of Waterford

	Fiscal Year			
	1995	1996	1997	1998
General Fund				
Reserved	\$ 55,507	\$ 68,569	\$ -	\$ -
Unreserved	2,522,815	4,086,587	4,738,325	4,337,219
Total General Fund	\$ 2,578,322	\$ 4,155,156	\$ 4,738,325	\$ 4,337,219
All Other Governmental Funds				
Reserved	\$ 96,824	\$ 135,867	\$ 138,669	\$ 124,497
Unreserved, reported in:				
Special Revenue Funds	2,513,253	2,849,967	3,918,800	6,650,403
Capital Project Funds	53,398	91,729	149,880	6,724,059
Debt Service Funds	-	-	-	216
Total all other governmental funds	\$ 5,241,797	\$ 7,232,719	\$ 8,945,674	\$ 17,836,394

Source: Township annual financial statements

	Fiscal Year			
	1995	1996	1997	1998
Revenue				
Property taxes	\$ 12,351,480	\$ 12,844,301	\$ 13,621,986	\$ 14,409,845
Intergovernmental revenue	6,364,750	7,317,304	6,961,935	6,852,687
Licenses and permits	1,085,539	1,225,970	1,426,948	1,457,214
Fines and forfeitures	2,693,450	2,851,803	3,020,007	3,206,278
Charges for services	1,017,395	1,448,163	1,104,427	1,249,868
Special assessments	586,821	258,303	624,988	559,298
Interest and miscellaneous	1,537,468	1,740,260	1,585,993	3,907,114
Total revenue	25,636,903	27,686,104	28,346,284	31,642,304
Expenditures				
Current:				
General government	5,436,631	5,716,361	6,368,356	7,223,149
Public safety	12,308,279	12,539,423	13,029,200	14,857,086
Community and economic development	2,156,461	2,558,240	2,541,539	2,464,456
Recreation and culture	2,377,775	2,726,750	2,753,913	3,159,891
Miscellaneous	31,292	-	-	193
Capital outlay	1,543,318	1,564,842	1,364,222	1,517,450
Debt administration	638,333	589,566	576,099	533,820
Total expenditures	24,492,089	25,695,182	26,633,329	29,756,045
Excess of Revenue Over (Under) Expenditures	1,144,814	1,990,922	1,712,955	1,886,259
Other Financing Sources (Uses)				
Debt issuance	162,032	-	-	7,730,000
Transfers in	7,427,218	6,905,240	7,311,337	7,987,642
Transfers out	(7,427,218)	(6,905,240)	(7,311,337)	(8,713,181)
Total other financing sources (uses)	162,032	-	-	7,004,461
Net Change in Fund Balances	1,306,846	1,990,922	1,712,955	8,890,720
Fund Balances - Beginning of year	3,934,951	5,241,797	7,232,719	8,945,674
Fund Balances - End of year	\$ 5,241,797	\$ 7,232,719	\$ 8,945,674	\$ 17,836,394
Debt service as a percentage of noncapital expenditures	2.78%	2.44%	2.28%	1.89%

Source: Township annual financial statements

Financial Trend Information Fund Balance - Governmental Funds

Fiscal Year					
1999	2000	2001	2002	2003	2004
\$ -	\$ -	\$ -	\$ 140,412	\$ -	\$ -
5,054,292	5,248,738	4,691,515	2,322,497	764,627	1,347,204
\$ 5,054,292	\$ 5,248,738	\$ 4,691,515	\$ 2,462,909	\$ 764,627	\$ 1,347,204
\$ 146,203	\$ 196,662	\$ 302,515	\$ 331,358	\$ 117,641	\$ 179,293
8,753,712	9,027,022	9,089,043	11,366,438	10,634,792	9,323,330
10,525,231	6,717,904	1,124,555	641,380	519,173	435,036
152,195	280,709	413,357	370,741	336,053	305,245
\$ 24,631,633	\$ 21,471,035	\$ 15,620,985	\$ 15,172,826	\$ 12,372,286	\$ 11,590,108

Change in Fund Balances - Governmental Funds

Fiscal Year					
1999	2000	2001	2002	2003	2004
\$ 16,303,044	\$ 17,184,089	\$ 18,252,454	\$ 19,687,111	\$ 22,396,355	\$ 23,388,467
7,863,217	7,937,944	8,344,620	8,325,431	7,827,753	7,620,465
1,366,294	1,077,155	1,165,095	1,075,998	1,092,417	1,170,341
3,186,853	2,634,526	2,814,162	2,658,430	2,778,621	2,764,971
1,326,703	1,432,170	1,580,763	1,984,950	2,238,494	2,315,956
524,219	657,593	715,446	621,018	514,872	489,562
3,164,332	4,042,576	2,604,592	4,230,603	1,782,200	2,301,714
33,734,662	34,966,053	35,477,132	38,583,541	38,630,712	40,051,476
7,001,460	7,024,331	7,526,958	7,998,661	7,554,150	7,519,259
15,008,063	16,158,888	17,384,572	18,968,282	21,427,773	22,184,623
2,431,841	2,672,870	2,689,856	2,839,461	3,866,987	3,449,228
3,307,371	3,674,439	3,965,001	4,499,079	4,504,373	4,045,750
2,032	513,173	488,004	499,936	123,515	140,705
6,047,458	7,045,168	8,239,945	2,597,818	2,798,810	2,324,405
896,198	1,037,782	1,120,846	1,114,713	1,155,646	1,169,684
34,694,423	38,126,651	41,415,182	38,517,950	41,431,254	40,833,654
(959,761)	(3,160,598)	(5,938,050)	65,591	(2,800,542)	(782,178)
7,755,000	-	88,000	-	-	-
7,675,205	8,202,940	8,651,899	9,821,595	10,128,971	10,157,922
(7,675,205)	(8,202,940)	(8,651,899)	(9,821,595)	(10,128,971)	(10,157,922)
7,755,000	-	88,000	-	-	-
6,795,239	(3,160,598)	(5,850,050)	65,591	(2,800,542)	(782,178)
17,836,394	24,631,633	21,471,035	15,107,235	15,172,826	12,372,284
\$ 24,631,633	\$ 21,471,035	\$ 15,620,985	\$ 15,172,826	\$ 12,372,284	\$ 11,590,106
3.13%	3.34%	3.38%	3.10%	2.99%	3.03%

Charter Township of Waterford

Financial Trend Information General Government Revenue History

Fiscal Year	General Property Taxes	Inter-governmental Revenue	Special Assessments (1)	Licenses and Permits	Fines and Fees	Charges for Services	Interest and Miscellaneous	Total Revenue
1995	\$ 12,351,480	\$ 6,364,750	\$ 586,821	\$ 1,085,539	\$ 2,693,450	\$ 1,017,395	\$ 1,537,468	\$ 25,636,903
1996	12,844,301	7,317,304	258,303	1,225,970	2,851,803	1,448,163	1,740,260	27,686,104
1997	13,621,986	6,961,935	624,988	1,426,948	3,020,007	1,104,427	1,585,993	28,346,284
1998	14,409,845	6,852,687	559,298	1,457,214	3,206,278	1,249,868	3,907,114	31,642,304
1999	16,303,044	7,863,217	524,219	1,366,294	3,186,853	1,326,703	3,164,332	33,734,662
2000	17,184,089	7,937,944	657,593	1,077,155	2,634,526	1,432,170	4,042,576	34,966,053
2001	18,252,454	8,344,620	715,446	1,165,095	2,814,162	1,580,763	2,604,592	35,477,132
2002	19,687,111	8,325,431	621,018	1,075,998	2,658,430	1,984,950	4,230,603	38,583,541
2003	22,396,355	7,827,753	514,872	1,092,417	2,778,621	2,238,494	1,782,200	38,630,712
2004	23,388,467	7,620,465	489,562	1,170,341	2,764,971	2,315,956	2,301,714	40,051,476

NOTE: Includes all governmental type funds

(1) Streetlight special assessment district revenue was reclassified in 2003 as special revenue. It was previously classified as property tax or charges for services. Figures adjusted appropriately retrospectively.

Source: Township annual financial statements

General Government Expenditure History

Fiscal Year	General Government	Public Safety	Community and Economic Development	Recreation and Culture	Capital Outlay	Debt Admin.	Miscellaneous	Total Expenditures
1995	\$ 5,436,631	\$ 12,308,279	\$ 2,156,461	\$ 2,377,775	\$ 1,543,318	\$ 638,333	\$ 31,292	\$ 24,492,089
1996	5,716,361	12,539,423	2,558,240	2,726,750	1,564,842	589,566	-	25,695,182
1997	6,368,356	13,029,200	2,541,539	2,753,913	1,364,222	576,099	-	26,633,329
1998	7,223,149	14,857,086	2,464,456	3,159,891	1,517,450	533,820	193	29,756,045
1999	7,001,460	15,008,063	2,431,841	3,307,371	6,047,458	896,198	2,032	34,694,423
2000	7,024,331	16,158,888	2,672,870	3,674,439	7,045,168	1,037,782	513,173	38,126,651
2001	7,526,958	17,384,572	2,689,856	3,965,001	8,239,945	1,120,846	488,004	41,415,182
2002	7,998,661	18,968,282	2,839,461	4,499,079	2,597,818	1,114,713	499,936	38,517,950
2003	7,554,150	21,427,773	3,866,987	4,504,373	2,798,810	1,155,646	123,515	41,431,254
2004	7,519,259	22,184,623	3,449,228	4,045,750	2,324,405	1,169,684	140,705	40,833,654

NOTE: Includes all governmental fund types under modified accrual accounting.

Source: Township annual financial statements

Charter Township of Waterford

Financial Trend Information General Fund Balance Compared to Annual Expenditures

Fiscal Year	Reserved Fund Balance	Unreserved Fund Balance	Annual Expenditures	Unreserved Fund Balance as a Percentage of Expenditures
1995	\$ 55,507	\$ 2,522,815	\$ 15,307,582	16.48%
1996	68,569	4,086,587	16,113,153	25.36%
1997	-	4,738,325	17,273,315	27.43%
1998	-	4,337,219	19,204,196	22.58%
1999	-	5,054,292	19,092,154	26.47%
2000	-	5,248,738	19,614,367	26.76%
2001	-	4,691,515	20,890,575	22.46%
2002	140,412	2,322,497	23,095,019	10.06%
2003	-	764,627	23,212,395	3.29%
2004	-	1,347,204	21,384,170	6.30%

Source: Township annual financial statements

Charter Township of Waterford

Tax Year	Taxable Value by Property Type (1)			
	Real Property			Agricultural and
	Residential	Commercial	Industrial	Other
1995	\$ 1,019,860,830	\$ 292,500,240	\$ 23,866,430	\$ 1,723,750
1996	1,089,791,587	298,629,090	24,842,510	1,723,750
1997	1,168,648,816	315,055,116	19,376,900	1,723,750
1998	1,255,954,065	326,788,447	21,310,640	1,723,750
1999	1,346,725,814	335,524,748	21,909,200	1,723,750
2000	1,445,624,295	349,602,576	22,121,770	1,723,750
2001	1,563,454,800	352,382,784	23,522,830	1,778,880
2002	1,670,148,742	369,627,586	24,345,490	1,835,760
2003	1,749,878,017	391,207,486	24,995,290	1,863,250
2004	1,847,604,772	406,505,656	25,447,140	1,906,060

(1) Under Michigan law, the revenue base is taxable value. Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Source: Township Assessing Department records

Tax Year	Millage Rates - Direct Township Taxes (1)			Overlapping Taxes
	General Operating	Debt	Total Direct Taxes	County
1995	8.8919	1.5000	10.3919	4.9480
1996	8.8919	0.7500	9.6419	4.8480
1997	8.8919	0.7500	9.6419	4.8180
1998	8.8919	0.7500	9.6419	4.6564
1999	8.8919	0.7500	9.6419	4.6522
2000	8.8919	0.7500	9.6419	4.6478
2001	9.1419	0.5000	9.6419	4.6438
2002	9.8719	0.4000	10.2719	4.6523
2003	9.8719	0.4000	10.2719	4.6497
2004	9.9074	0.4000	10.3074	4.6476

(1) Includes general operating, fire, police, library, and police and fire building debt taxes.

(2) Previously termed Homestead and Non-homestead

(3) School rates are based on the Waterford School District, which services a vast majority of the Township's land area.

Source: Township Treasurer's Office records

Revenue Capacity Information Assessed Value and Actual Value of Taxable Property

Taxable Value by Property Type (1)				Taxable Value as a % of Actual	
Personal Property	Total Value	Tax Rate (Mills)	Estimated Actual Value		
\$ 96,750,950	\$ 1,434,702,200	10.39	\$ 2,955,471,260	48.54%	
101,907,100	1,516,894,037	9.64	3,274,244,684	46.33%	
102,587,050	1,607,391,632	9.64	3,563,658,070	45.11%	
110,876,400	1,716,653,302	9.64	3,858,302,800	44.49%	
115,101,750	1,820,985,262	9.64	4,225,790,490	43.09%	
118,682,730	1,937,755,121	9.64	4,604,816,370	42.08%	
116,892,340	2,058,031,634	9.64	4,992,462,168	41.22%	
115,308,430	2,181,266,008	10.27	5,420,599,136	40.24%	
104,792,550	2,272,736,593	10.27	5,820,022,586	39.05%	
105,809,290	2,387,272,918	10.31	6,156,606,896	38.78%	

Direct and Overlapping Property Tax Rates

Overlapping Taxes				(2) Total Tax Rate	
Community College	Intermediate School District	School - Principal (3)	School - Non-principal (3)	Principal	Non-principal
1.6522	2.1294	11.6400	29.6400	30.7615	48.7615
1.6522	2.1294	9.0600	27.0600	27.3315	45.3315
1.6522	2.1294	9.1700	27.1700	27.4115	45.4115
1.6456	2.1208	9.1700	27.1700	27.2347	45.2347
1.6300	2.1100	9.1700	27.1700	27.2041	45.2041
1.6109	2.0752	9.1700	27.1700	27.1458	45.1458
1.5952	2.0543	9.1700	27.1700	27.1052	45.1052
1.6090	3.4224	9.1700	27.1700	29.1256	47.1256
1.5983	3.3991	8.6700	26.6700	28.5890	46.5890
1.5889	3.3789	9.6700	27.6700	29.5928	47.5928

Charter Township of Waterford

Revenue Capacity Information Principal Property Tax Payers

Taxpayer	Type of Business	2004 Taxable Value	Percentage of Total	1995 Taxable Value	Percentage of Total	1995 Rank
1 Detroit Edison	Utility	\$ 27,498,000	1.15%	\$ 15,662,140	1.09%	2
2 Summit Place Mall (1)	Retail	17,951,000	0.75%	34,119,080	2.38%	1
3 General Motors	Manufacturing	13,217,000	0.55%	11,353,550	0.79%	3
4 Consumers Energy	Utility	11,545,000	0.48%	7,890,550	0.55%	5
5 Cass Lake Shore Apt.	Apartment	7,958,000	0.33%	7,001,830	0.49%	6
6 Rivers Edge Apt.	Apartment	7,720,000	0.32%	6,748,660	0.47%	7
7 Meijer	Retail	6,304,000	0.26%	5,704,600	0.40%	8
8 Sears Roebuck	Retail	5,087,000	0.21%	4,813,660	0.34%	10
9 Terry Machine	Manufacturing	4,980,000	0.21%	-	0.00%	0
10 Summit West (1)	Retail	4,260,000	0.18%	-	0.00%	1
Total		\$ 106,520,000	4.44%	\$ 93,294,070	6.51%	

(1) Owned by Ramco-Gershenson in 1995. Properties were subsequently sold to different owners.

Source: Waterford Township Assessing Department records

Property Tax Levies and Collections

Fiscal Year	Total Levy(1)	Current Collections (2)	Percent Collected	Delinquent Collections (3)	Total Tax Collections	Percent of Levy Collected	Delinquent Tax Receivable
1995	\$ 14,909,281	\$ 14,867,304	99.72%	\$ 62,376	\$ 14,929,680	100.14%	(4)
1996	14,625,644	14,558,099	99.54%	50,580	14,608,679	99.88%	(4)
1997	15,486,095	15,412,238	99.52%	60,768	15,473,006	99.92%	(4)
1998	16,533,805	16,460,089	99.55%	67,011	16,527,100	99.96%	(4)
1999	17,531,845	17,452,022	99.54%	46,794	17,498,816	99.81%	(4)
2000	18,672,627	18,523,349	99.20%	26,831	18,550,180	99.34%	(4)
2001	19,855,638	19,677,518	99.10%	57,924	19,735,442	99.39%	(4)
2002	22,385,567	22,222,245	99.27%	21,946	22,244,191	99.37%	(4)
2003	23,351,686	23,286,934	99.72%	26,732	23,313,666	99.84%	(4)
2004	24,583,756	24,435,875	99.40%	66,668	24,502,543	99.67%	463,904

(1) Prior to 1997, the amount reported is the amended warrant total.

(2) Figure includes delinquent taxes turned over to Oakland County for collections on March 1 of each year.

(3) Prior to 2004, the amount reported is adjusted for delinquent taxes collected for that year during subsequent years.

(4) Not available

Source: Township Treasurer's Office records

Charter Township of Waterford

	Fiscal Year			
	1995	1996	1997	1998
Governmental Activities				
General obligation bonds	\$ 1,895,000	\$ 1,510,000	\$ 1,125,000	\$ 7,730,000
Installment purchase agreements	507,212	286,151	60,090	30,045
Special assessment bonds	265,000	225,000	190,000	150,000
Revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Total	2,667,212	2,021,151	1,375,090	7,910,045
Business-type Activities				
General obligation bonds	47,543,644	43,201,424	38,646,057	33,852,543
Installment purchase agreements	-	-	-	-
Special assessment bonds	-	-	-	-
Revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Total	47,543,644	43,201,424	38,646,057	33,852,543
Total Debt of the Government	50,210,856	45,222,575	40,021,147	41,762,588
Total Taxable Value	1,434,702,200	1,516,894,037	1,607,391,632	1,716,653,302
Ratio of Total Debt to Taxable Value	3.50%	2.98%	2.49%	2.43%
Total Population	69,922	70,568	71,214	71,860
Total Debt per Capita	\$ 712	\$ 635	\$ 557	\$ 576

Source: Township annual financial statements; population data reported from demographics schedule

Debt Capacity Information Ratios of Outstanding Debt

Fiscal Year					
1999	2000	2001	2002	2003	2004
\$ 14,210,000	\$ 14,020,000	\$ 13,675,000	\$ 13,905,000	\$ 13,335,000	\$ 13,185,000
-	-	-	-	-	-
865,000	795,000	763,000	673,000	569,000	470,000
-	-	-	-	-	-
-	-	-	-	-	-
15,075,000	14,815,000	14,438,000	14,578,000	13,904,000	13,655,000
28,831,837	23,579,558	18,077,280	12,300,000	12,050,000	4,835,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
28,831,837	23,579,558	18,077,280	12,300,000	12,050,000	4,835,000
43,906,837	38,394,558	32,515,280	26,878,000	25,954,000	18,490,000
1,820,985,262	1,937,755,121	2,058,031,634	2,181,266,008	2,272,736,593	2,387,272,918
2.41%	1.98%	1.58%	1.23%	1.14%	0.77%
72,506	73,150	72,671	72,192	71,713	71,234
\$ 600	\$ 525	\$ 447	\$ 372	\$ 362	\$ 260

Charter Township of Waterford

Debt Capacity Information Ratios of General Bonded Debt Outstanding

Fiscal Year	General Obligation Bonds	Tax Supported Bonds (1)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt Per Capita
1995	\$ 2,402,212	\$ -	\$ -	\$ 2,402,212	\$ 1,434,702,200	0.17%	\$ 69,922	34.355596
1996	1,796,151	-	-	1,796,151	1,516,894,037	0.12%	70,568	25.452769
1997	1,185,090	-	-	1,185,090	1,607,391,632	0.07%	71,214	16.64125
1998	730,000	7,000,000	216	7,730,216	1,716,653,302	0.45%	71,860	107.57328
1999	635,000	13,575,000	152,195	14,362,195	1,820,985,262	0.79%	72,506	198.08285
2000	545,000	13,475,000	280,709	14,300,709	1,937,755,121	0.74%	73,150	195.49841
2001	450,000	13,225,000	413,357	14,088,357	2,058,031,634	0.68%	72,671	193.86491
2002	955,000	12,950,000	370,741	14,275,741	2,181,266,008	0.65%	72,192	197.74686
2003	710,000	12,625,000	336,053	13,671,053	2,272,736,593	0.60%	71,713	190.63563
2004	935,000	12,250,000	305,245	13,490,245	2,387,272,918	0.57%	71,234	189.3793

NOTE: General obligation bonds reported in the Water and Sewer Fund with government commitment and special assessment bonds have been excluded.

(1) Bonds represent debt issued for construction of the police and fire buildings.

Source: Township annual financial statements.

Direct and Overlapping Debt Year Ended December 31, 2004

Governmental Unit	Debt Outstanding	Estimated % Applicable to Waterford	Estimated Share of Overlapping Debt
Oakland County	\$ 97,029,063	4.26	\$ 4,133,438
School Districts:			
Waterford school district	130,390,000	88.27	115,095,253
Pontiac school district	22,429,000	1.53	343,164
Clarkston school district	189,835,370	2.30	4,366,214
Oakland Community College	11,175,000	4.29	479,408
Intermediate school district	10,220,000	4.28	437,416
Total overlapping debt			124,854,893
Direct Township debt	18,490,000	100	18,490,000
Total direct and overlapping debt			\$ 143,344,893

Source: Various taxing authorities

Charter Township of Waterford

	Fiscal Year			
	1995	1996	1997	1998
Calculation of Debt Limit (1)				
State equalized valuation	\$ 1,477,735,630	\$ 1,637,122,342	\$ 1,781,829,035	\$ 1,929,151,400
Debt limit (10% of equalized value)	147,773,563	163,712,234	178,182,904	192,915,140
Calculation of Debt Subject to Limit				
Total debt	50,210,856	45,222,575	40,021,147	41,762,588
Less debt not subject to limit:				
Special assessment bonds	265,000	225,000	190,000	150,000
Enterprise Fund bonds	47,543,644	43,201,424	38,646,057	33,852,543
Net Debt Subject to Limit	<u>2,402,212</u>	<u>1,796,151</u>	<u>1,185,090</u>	<u>7,760,045</u>
Legal Debt Margin	<u>\$ 145,371,351</u>	<u>\$ 161,916,083</u>	<u>\$ 176,997,814</u>	<u>\$ 185,155,095</u>
Net Debt Subject to Limit as Percentage of Debt Limit	1.65%	1.11%	0.67%	4.19%

(1) The legal debt limit continues to be derived from State Equalized Value (SEV), not Taxable Value (TV).

Source: Township annual financial statements

Debt Capacity Information
Legal Debt Margin

Fiscal Year					
1999	2000	2001	2002	2003	2004
\$ 2,112,895,245	\$ 2,302,408,185	\$ 2,496,231,084	\$ 2,710,299,568	\$ 2,910,011,293	\$ 3,078,303,448
211,289,525	230,240,819	249,623,108	271,029,957	291,001,129	307,830,345
43,906,837	38,394,558	32,515,280	26,878,000	25,954,000	18,490,000
865,000	795,000	763,000	673,000	569,000	470,000
28,831,837	23,579,558	18,077,280	12,300,000	12,050,000	4,835,000
14,210,000	14,020,000	13,675,000	13,905,000	13,335,000	13,185,000
<u>\$ 197,079,525</u>	<u>\$ 216,220,819</u>	<u>\$ 235,948,108</u>	<u>\$ 257,124,957</u>	<u>\$ 277,666,129</u>	<u>\$ 294,645,345</u>
7.21%	6.48%	5.80%	5.41%	4.80%	4.47%

Charter Township of Waterford

Demographic and Economic Information Demographic and Economic Statistics

Fiscal Year	Population		Personal Income (in Thousands)	Estimated Number of Households	Per Capita Personal Income	Median Age	Unemployment Rate
1995	69,922	(1)	(5)	(5)	(5)	(5)	(5)
1996	70,568	(1)	(5)	(5)	(5)	(5)	(5)
1997	71,214	(1)	(5)	(5)	(5)	(5)	(5)
1998	71,860	(1)	(5)	(5)	(5)	(5)	(5)
1999	72,506	(1)	(5)	(5)	(5)	(5)	(5)
2000	73,150	(2)	(5)	29,389 (2)	27,432 (2)	35.5 (2)	(5)
2001	72,671	(4)	(5)	(5)	(5)	(5)	(5)
2002	72,192	(4)	(5)	(5)	(5)	(5)	(5)
2003	71,713	(4)	(5)	(5)	(5)	(5)	(5)
2004	71,234	(3)	(5)	(5)	(5)	(5)	(5)

(1) Population estimate based on straight-line amortization between 1990 and 2000 U.S. Census figures.

(2) 2000 population from U.S. Census

(3) Southeast Michigan Council of Governments Information Services estimate

(4) Population estimate based on straight-line amortization between 2000 U.S. Census figures and SEMCOG estimate for 2004.

(5) Not available

Principal Employers

Taxpayer	Enterprise	2004 Employees	Percentage of Total	1995 Employees	Percentage of Total	1995 Rank
1 Waterford School District	Education	1,951	31.21%	(1)	(1)	(1)
2 General Motors Corporation	Manufacturing	1,000	16.00%	(1)	(1)	(1)
3 Meijer	Retail	645	10.32%	(1)	(1)	(1)
4 Contract Professionals Inc.	Staffing	500	8.00%	(1)	(1)	(1)
5 Marshall Fields	Retail	400	6.40%	(1)	(1)	(1)
6 Kmart	Retail	395	6.32%	(1)	(1)	(1)
7 Waterford Township	Government	375	6.00%	(1)	(1)	(1)
8 VGs Food Center Inc.	Retail	375	6.00%	(1)	(1)	(1)
9 Sears Roebuck	Retail	310	4.96%	(1)	(1)	(1)
10 Oakland Intermediate Schools	Education	300	4.80%	(1)	(1)	(1)

(1) Not available

Source: Oakland County

Charter Township of Waterford

Operating Information Full-time Equivalent Government Employees (1)

Department	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Supervisor/Assessing	9	9	10	10	10	10	10	10	10	9
Clerk's office	6	6	6	7	7	7	7	7	7	6
Treasurer's office (2)	9	9	7	7	7	7	7	7	7	7
Fiscal and human resources	3	3	3	3	4	4	4	4	4	3
51st District Court	33	33	33	32	32	34	34	35	35	35
Planning and development	6	6	8	10	10	10	15	15	15	14
Information systems (2)	0	0	4	4	4	4	4	4	4	4
Facilities and operations (4)	12	12	12	12	13	13	13	12	12	11
Building and engineering	14	14	17	17	16	16	16	16	16	11
Parks and recreation (5)	11	11	11	11	12	12	12	13	13	14
Police department	103	104	109	116	121	121	122	117	117	112
Fire department (5)	53	53	53	55	55	55	56	56	69	69
Library	9	9	11	14	18	18	19	20	20	20
Water and sewer (4)	44	44	48	50	52	52	52	51	52	54
Community development	4	4	5	4	4	4	0	0	0	0
Hess-Hathaway farm (6)	0	0	0	0	0	0	1	1	1	0
CAI building (6)	0	0	0	0	3	3	3	3	3	0
Total	<u>316</u>	<u>317</u>	<u>337</u>	<u>352</u>	<u>368</u>	<u>370</u>	<u>375</u>	<u>371</u>	<u>385</u>	<u>369</u>

(1) Full-time employees reported only, data are not available for equivalent part-time positions. Data reported from January 1 of each year.

(2) The information systems department was created in 1997. Two employees previously assigned to the treasurer's office were moved into this department.

(3) Employees are included in the total for CPD beginning in 2001.

(4) From 2001 to 2003, the facilities and operations and water and sewer divisions for the Department of Public Works shared an administrative position.

(5) Waterford Township residents approved a .63 millage increase in 2002 to add 13 paramedics for an additional EMS unit.

(6) In 2004, all operations and staff assigned to the CAI and Hess-Hathaway were moved into the parks and recreation department.

Source: Township personnel records

Charter Township of Waterford

Function/Program	Fiscal Year			
	1995	1996	1997	1998
Police:				
Physical arrests	3,126	2,915	2,897	2,368
Traffic violations	15,094	15,540	14,096	11,982
Fire:				
Emergency responses	4,535	4,510	4,391	4,510
Fires extinguished	298	261	249	265
Inspections	(I)	(I)	(I)	(I)
Parks and recreation - Recreation programs (estimated)	418	440	407	437
Library:				
Circulation (books borrowed)	320,976	338,624	359,034	354,423
Collection volume	80,151	85,703	98,757	111,693
Water:				
New connections	633	664	333	865
Water main breaks		(I)	(I)	21
Total consumption (billed-cubic feet)	311,910,671	330,562,994	321,189,352	363,947,897
Average annual consumption per customer (gallons)	(I)	(I)	(I)	84,823

(I) Information not available

Source: Departmental annual reports

Operating Information
Operating Indicators

Fiscal Year					
1999	2000	2001	2002	2003	2004
2,269	2,593	2,420	2,601	2,245	2,367
14,318	15,094	14,753	13,463	12,089	11,303
4,464	4,435	4,395	4,408	5,108	4,777
227	216	189	201	220	167
(1)	(1)	(1)	(1)	(1)	(1)
475	500	528	588	638	690
351,071	370,994	382,009	383,613	368,557	315,009
115,083	118,693	124,628	121,338	126,965	132,262
679	525	434	292	160	165
24	29	27	42	49	25
378,919,562	343,983,636	380,505,581	399,388,813	390,076,683	374,382,629
80,335	73,573	87,546	87,546	73,843	68,068

Charter Township of Waterford

Operating Information Capital Asset Statistics

Function/Program	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	28	28	28	28	29	30	32	31	31
Fire:										
Stations	5	5	5	5	5	5	5	5	5	5
Trucks	(1)	(1)	(1)	(1)	14	13	10	12	13	15
Parks and recreation:										
Acreage	617	617	617	634	653	653	679	684	684	684
Playgrounds	7	7	7	7	8	8	8	9	9	8
Soccer fields	3	3	3	3	3	3	6	6	6	6
Baseball/Softball diamonds	12	12	12	12	13	13	13	13	13	13
Libraries - Branches	2	2	2	2	2	2	2	2	2	2
Water:										
Mains (miles)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	332
Fire hydrants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	3,447
Storage capacity (millions of gallons)	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25
Sewer - Miles of sanitary sewers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	332

(1) Information not available

Source: Departmental annual reports

Charter Township of Waterford

**Federal Awards
Supplemental Information
December 31, 2004**

Charter Township of Waterford

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Independent Auditor's Report

To the Members of the Township Board
Charter Township of Waterford

We have audited the basic financial statements of the Charter Township of Waterford for the year ended December 31, 2004 and have issued our report thereon dated June 1, 2005. Those basic financial statements are the responsibility of the management of the Charter Township of Waterford. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Charter Township of Waterford taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

June 1, 2005

A member of



A worldwide association of independent accounting firms

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Members of the Township Board
Charter Township of Waterford

We have audited the financial statements of the Charter Township of Waterford as of and for the year ended December 31, 2004 and have issued our report thereon dated June 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Waterford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Waterford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Charter Township of Waterford's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item Finding 01-I.

To the Members of the Township Board
Charter Township of Waterford

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Waterford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

A material weakness is condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the Charter Township of Waterford in a separate letter dated June 1, 2005.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

June 1, 2005

Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133

To the Members of the Township Board
Charter Township of Waterford

Compliance

We have audited the compliance of the Charter Township of Waterford with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. The major federal program of the Charter Township of Waterford is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Charter Township of Waterford's management. Our responsibility is to express an opinion on the Charter Township of Waterford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Waterford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Waterford's compliance with those requirements.

In our opinion, the Charter Township of Waterford complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

To the Members of the Township Board
Charter Township of Waterford

Internal Control Over Compliance

The management of the Charter Township of Waterford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Waterford's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

June 1, 2005

Charter Township of Waterford

Schedule of Expenditures of Federal Awards Year Ended December 31, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Community Development Block Grant (major program):			
B-02-MC-26-0030	14.218	\$ 480,000	\$ 111,467
B-03-MC-26-0030	14.218	468,000	654,807
B-04-MC-26-0030	14.218	<u>451,000</u>	<u>13,940</u>
Total U.S. Department of Housing and Urban Development - Community Development Block Grant (major program)		1,399,000	780,214
U.S. Department of Justice:			
Direct programs:			
Federal Equitable Drug Sharing Program	16.000	20,279	16,000
Bullet Proof Vest Grant	16.607	44,939	13,627
Passed through the Michigan Office of Drug Control Policy			
Byrne Grant:	16.579	48,353	42,588
Local Law Enforcement Block Grant - 2003LBBX1165	16.592	31,640	28,141
Local Law Enforcement Block Grant - 2002LBBX1165	16.592	<u>25,214</u>	<u>4,398</u>
Total U.S. Department of Justice		170,425	104,754
Office of Homeland Security:			
Direct program - Assistance to Firefighter's Grant	97.044	31,500	31,500
Passed through the Michigan Department of State Police - State Homeland Security Grant Program Part II Training Grant	97.004	<u>20,454</u>	<u>20,454</u>
Total Office of Homeland Security		<u>51,954</u>	<u>51,954</u>
Total federal awards		<u>\$1,621,379</u>	<u>\$ 936,922</u>

Charter Township of Waterford

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2004

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Waterford and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount	
		Provided to Subrecipients	
Community Development Block Grant	14.218	\$	15,500

Charter Township of Waterford

Schedule of Findings and Questioned Costs Year Ended December 31, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Charter Township of Waterford

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2004

Section II - Financial Statement Audit Findings

Reference Number	Findings
01-I	<p>Finding Type - Reportable condition</p> <p>Condition - The Township did not prepare timely general ledger account reconciliations and also timely bank reconciliations of its cash and investment balances to the bank statements and treasurer's department records.</p> <p>Description - The treasurer's office tracks cash and investment activity, and timely reconciles those balances to the bank statements. In order to maintain adequate internal control over the accuracy of the general ledger, the accountant needs to reconcile the cash and investment balances to the bank statements and treasurer's department records, and the subledgers of accounts receivable to the general ledger for delinquent personal property tax receivable and the delinquent special assessment receivable.</p> <p>We recommend, and the Charter Township of Waterford concurs, that the reconciliation of cash and investments should be prepared monthly and the accounts receivable reconciliations should be prepared periodically. In addition, the bank reconciliations should be signed and dated to document timeliness, and signed and dated by an individual in the treasurer's department to document review and concurrence with any adjustments.</p>

Section III - Federal Program Audit Findings

None

June 1, 2005

Board of Trustees
Charter Township of Waterford
5200 Civic Center Drive
Waterford, Michigan 48095

Dear Board Members:

We have recently completed our audit of the financial statements of the Charter Township of Waterford for the year ended December 31, 2004. As part of our audit, we offer the following comments and recommendations:

FINANCIAL RESULTS

For the year ended December 31, 2004, the Township's General Fund fund balance was increased by approximately \$583,000. Overall, revenues increased approximately \$453,000 from the prior year and the Township was able to decrease expenditures from 2003 to 2004 by approximately \$558,000, as well as decreasing net transfers out to other funds by approximately \$1,271,000. The Township was able to increase revenue even while state shared revenue decreased another 7.6% from 2003 levels, mainly due to an increase in property tax revenue slightly above the rate of inflation, revenue from some potential non-recurring sources such as the sale of land, and an insurance reimbursement. The Township was able to decrease expenditures even while health care costs continued to rise by mainly cutting capital expenditures and properly allocating costs to other funds. In addition, the Township was able to decrease net transfers out by utilizing fund balances in other funds to support other fund costs versus having the General Fund subsidizing these costs. So far, the Township has been able to weather the economic downturn over the past few years due to having a healthy fund balance which was built up in years of good economic growth and the Township implementing an internal process of evaluating expenditures, eliminating certain expenditures in order to combat the decreasing revenue streams, and seeking other available fund balances to subsidize other fund costs. The combined General, Police, and Fire Funds fund balance is equal to approximately 5% of these funds' annual expenditures, increasing slightly from 4.6% in the prior year.

This year's positive financial results are the result of a tremendous effort and significant sacrifice by Township personnel. The results are impressive, given the magnitude of the problem, and you should recognize that. At the same time, we expect a continuation of these financial pressures, as health care costs continue to rise and state shared revenue remains shaky.

RETIREE HEALTH CARE FUNDING

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

However, the new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government-wide statement of net assets. We anticipate that this will result in a significant pressure to fund the actuarially recommended contribution on an annual basis.

This statement will be effective for the Township's 2008 fiscal year. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to this.

BANK ACCOUNT RECONCILIATIONS

During the prior years, we worked with the Treasurer's department and the Accountant in order to establish a process for communicating cash and investing activity from the Treasurer's department to the Accountant. The new process has been designed and the Township has made steps to implement this newly designed process. The Township started to implement these new procedures in 2004 and should continue to work towards full implementation during 2005. This new procedure should serve to increase internal controls, decrease reconciliation effort, and decrease posting errors.

Currently, the bank account balances are not in alignment with the bank amounts recorded in the general ledger. The Treasurer's function of reconciling the monthly bank statements to their records is done on a timely basis; however, this lack of alignment makes it difficult for the Accountant to then reconcile the Treasurer's balance to the general ledger. As a result, our audit found a lack of timely reconciliation of the general ledger. This monthly procedure is critical to assuring the accuracy of the monthly accounting reports (budgetary comparisons, etc).

Secondarily, we recommend that the reconciliations be initialed and dated after completion, to document the timeliness as well as document ownership or responsibility for the work. The bank and investment reconciliations should also be reviewed by someone independent of the bank reconciliation process, with initialing to document this process.

OTHER ACCOUNTING MATTERS

Internal Control and Fraud Prevention

Designing and maintaining a sound system of internal controls over assets, as well as fraud prevention and detection, are on the forefront in today's accounting environment. As part of our audit of the Township's 2004 financial statements, we performed additional procedures as required by Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS 99). While SAS 99 does not change the focus of the financial statement audit to a "fraud audit," the new standard incorporates a change in mindset for auditors to search for and identify significant fraud risk factors. SAS 99 requires auditors to perform specific procedures to search for significant fraud risk factors, including inquiries with members of the Township Board, administration, and other employees throughout the Township; a retrospective review of accounting estimates; a detailed review of all journal entries; and other related procedures. Some of the items noted within this year's management letter are the direct result of this additional testing.

Account Reconciliations

We noted several accounts that did not appear to be properly reconciled to their source documentation at year-end. The unreconciled accounts include delinquent personal property tax receivables and special assessment receivables. The delinquent taxes and the special assessments should be reconciled annually, while the delinquent water and sewer should be reconciled periodically throughout the year. This process is reported as a significant internal control deficiency in our federal single audit.

The process of reconciling property taxes to the general ledger may be an easier task for the Township if the process incorporates the use of the Township's general ledger software system. Setting these entries up as recurring in the Township's general ledger system will help to promote accuracy and timeliness of financial data recorded in the general ledger.

Inspection deposit accounts

During our review of the engineering construction inspection deposit account, it was noted that no formal method of tracking this account is currently in place. The Township should consider instituting a method of recording the receipt of the bonds and the refunds that take place. In addition, the bond accounts should periodically be reconciled to the general ledger to ensure accuracy in recording these transactions.

Remote Location Cash Receipts

During the current year, we reviewed the cash collection procedures at the Parks and Recreation department. We noted that money collected during each day is not counted until the next day. In order to be held accountable, each cashier should count their own drawer at the end of their shift. This will allow the department to track any overages or shortages by cashier to look for consistent mistakes by any one cashier. In addition, we also noted that the same employee has the ability to collect cash and reconcile cash to the receipt summary at the end of each day. These two functions should be separated in order to provide adequate segregation of duties between employees.

STATE SHARED REVENUE

State shared revenue accounts for approximately 28% of the Township's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to total state shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the Governor's budget for the State's 2004/2005 fiscal year contained a provision to not pay counties statutory revenue sharing. Instead, beginning in 2005, the counties will change their property tax levy date for their operating millage from December to July. A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2004/2005 fiscal year at the prior year levels. In February of 2005, the Governor's Executive order indicated that no further cuts to revenue sharing would take place for the State's fiscal year 2004/2005.

It is generally acknowledged that the State's budget woes will continue for several more years. The Governor recently announced that another \$773 million shortfall exists for the State's 2005/2006 fiscal year budget. Also, during February 2005, the Governor announced that revenue sharing is budgeted at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. However, as part of recent budget negotiations on the State's 2005/2006 budget, another reduction to state shared revenue has been proposed by the Senate. Negotiations between both branches of the Michigan Legislature and the Governor are likely to continue through the summer and not conclude until the fall with unknown results. Accordingly, we continue to urge the Township to be very conservative in its estimation of state shared revenue, as this line item in the State's budget remains vulnerable and the threat to the elimination of statutory revenue sharing remains.

The following table details actual state shared revenue for the Township since 2001 in comparison to state shared revenue if the revenue payments would have increased at the rate of inflation. In addition, the table details the cumulative revenue lost by the Township as a result of not receiving state shared revenue payments consistent with annual increases in inflation since 2001.

Calendar Year Ending December 31	Actual Revenue Sharing	Revenue Sharing if Township Received Inflationary Increases	Cumulative Lost Revenue Sharing Payments
2001	\$7,467,678	\$7,467,678	-
2002	7,176,763	\$7,706,644	\$529,881
2003	\$6,597,657	\$7,822,244	\$1,754,468
2004	\$6,096,168	\$8,002,156	\$3,660,465
2005 – Estimate	\$6,096,168	\$8,186,206	\$5,750,503

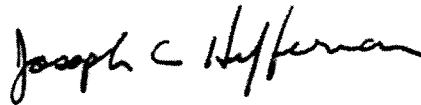
We will continue to update the Township as developments occur.

CLOSING

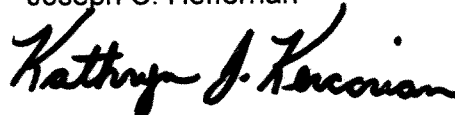
We would like to thank you and your staff for the courtesy and cooperation extended to us during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Yours truly,

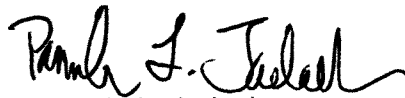
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